

MAR 3 1949

the MANAGEMENT REVIEW

FEBRUARY, 1949

AMONG THE FEATURES

Labor's Plans for '49

Population Trends and Their Implications

Let's Look at the Records

The Professional Aspects of Personnel Practices

Improving Supervisory Relations

New Ways to Trim Inspection Waste

What Basing Point Decisions Mean to Your Business

The Shipper's Role in Damage Claims Prevention

Future Trend of Interest Rates

The Probable Course of Taxation

Reducing the Cost of Fire Insurance

the month's
best in
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- PERSONNEL
- PRODUCTION
- OFFICE MANAGEMENT
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THE MANAGEMENT REVIEW is published monthly by the American Management Association at 330 West 42nd Street, New York 18, N. Y., at fifty cents per copy or five dollars per year. Vol. XXXVIII, No. 2, February, 1949. Entered as second-class matter March 26, 1925, at the Post Office at New York, N. Y., under the Act of March 3, 1879.

Changes of address should be forwarded to the publishers *one month in advance*, and postal unit numbers should be included in all addresses.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

An index to THE MANAGEMENT REVIEW is published annually with the December number. The contents are also indexed in the *Industrial Arts Index*.

the MANAGEMENT REVIEW

Volume XXXVIII

No. 2

FEBRUARY, 1949

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General Management

Labor's Plans for '49

ORGANIZED labor is saddling up for a triumphant ride in 1949. Both CIO and AFL regard the recent presidential election as a mandate for all-out expansion of labor goals and, with this in mind, both outlined their plans in their November conventions and set up the machinery to carry them out. Here's a first-hand report on the achievements they hope to realize in 1949 and the coming years.

At both the AFL and CIO conventions, a fourth round of wage increases was considered by the delegates to be as inevitable as death and taxes. The big question was not "will there be a raise" but "how much." And interestingly enough, there were no sky-high figures tossed around. A note of caution, an atmosphere of restraint was evident at both conclaves. The 30-cent-an-hour demands of previous conventions were missing. Heard more often were 10- and 15-cent figures; and some labor leaders, heading unions in industries developing soft spots, were in no mood to upset apple-carts with rash wage promises to their membership. For example, unioners in such fields as foundries, clothing, shoes, machine tools, and home appliances expressed a "watch and see" attitude. Most aggressive predictions on the wage front came from union leaders in autos, steel, rubber, glass and paper. The construction field also came in for some high wage-demands-to-come.

Why this seemingly conservative position? Many reasons were bandied about at the conventions: (1) The

cost of living was beginning to level off, and there were no serious jumps in sight. (2) Sporadic layoffs were beginning to crop up in industry. During the last week of the CIO convention, for instance, five companies announced manpower cutbacks. A few others went on four-day weeks. (3) Some union leaders at both meetings expressed the opinion that they want to withhold full steam on wages until the Taft-Hartley Act has been amended, so that they would have more room in which to maneuver.

Is this "no big wage demand" talk—just talk? No. A *Mill & Factory* study of union contracts negotiated since the election shows that the average wage increase is running to 9 1/2 cents an hour. Of these, 60 per cent were fourth-rounders. True, these were small company settlements. The big fellows come up in April, May and June, and the situation may change.

Next on the agenda is ousting of Communists from union ranks. AFL hasn't much of a Communist infiltration problem to speak of. The CIO has a king-sized one, and at its last convention it came out in all its ugliness. Philip Murray finally called the tune and declared open warfare against the "lefties" in the CIO. This right-left fight is by no means an intra-union problem. The coming battle between the two factions will hit thousands of companies which have contracts with left-wing outfits. Until now, raiding of left-wing unions by right-wingers was "unofficial," and unions like the anti-Communist United Auto

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Workers operated sub rosa. But now raiding is the "order of the day," and you can count on every left-wing union—biggest of which is the United Electrical Workers—to be harassed and harried. The party-liners are not expected to turn the other cheek. CIO delegates received advance warning of that when James Matles, director of organization for the UE bluntly told the convention that the "Commie" factions will take care of themselves when the crisis comes. There's another side to the anti-Communist eruption in the CIO. Employers who have agreements with the left-wingers are going to be faced with *big* demands. This is to impress the rank and file that the lefties are looking after the workers' welfare and demanding that the "boss" come through with bigger raises than increases granted to middle of the road or right-wing unions. Left-wing union men talk of 30-cent-an-hour increases, 12 holidays with pay, higher pensions than Lewis' Mine Workers are getting, and a host of other demands.

There are 6,000,000 white-collar workers in America eligible for union membership. That's the figure used by the CIO convention as its goal for 1949. White-collarites in manufacturing are as much a target as those in purely office companies, such as insurance and banks. Many unions already have sizable memberships among office, professional, and clerical employees. The auto workers have made some strides lately in Detroit. But these are surface scratches, say the unions, and the coming year will witness a concentrated effort to get white-collar employees to sign up. In '49, the AFL will also play the white collar field—a relatively new venture for this traditionally manual-labor organization.

Repeal of the Taft-Hartley Law is, of course, labor's prime objective. AFL wants the old Wagner Act with no ands, ifs, or buts. CIO says ditto. But privately leaders admit they will have to compromise and accept amendments. Moreover, not only is there likely to be disagreement between the administration and top labor leaders, but the two giant unions themselves might not see eye to eye on changes. For example, AFL would like to see the Taft-Hartley section which permits crafts to break away from vertical unions stay in. CIO is opposed. The CIO wants no part of the anti-Communist affidavits, AFL wouldn't mind keeping that clause intact.

Secretary of Labor Tobin has told CIO and AFL they should come up with a unified program—otherwise the government will dictate one of its own. It's expected that when the unions get together on their confab over a new law, they will make *one* concession to employers—the right of free speech provided no coercion or threats are used.

Health and welfare programs have been on labor's agenda for some time now. But this coming year it expects to push these programs to the limit. A tip on how seriously unions now regard employer-paid social security benefits comes from the United Auto Workers (CIO), which has opened a school for local union negotiators to teach them how to present such demands at the bargaining table.

Once the Taft-Hartley Act has been changed, unions are going after the "little Taft-Hartley Acts" enacted by the various state legislatures. There are now 24 such "Acts." These will be union targets in the months ahead.

Both AFL and CIO agree, and have complete government backing, on pro-

posed workmen's compensation extensions. Here are a few:

1. *Compensation*: Compulsory, with elective coverage for agricultural workers and domestic servants.

2. *Administration*: Laws to be administered by state commission, not court.

3. *Insurance*: Severe penalties on employers not complying with insurance requirements desirable.

4. *Coverage*: All industries and all

employees, including state and municipal. No exemptions of small employers or non-hazardous industries. The right of the employee to waive compensation prohibited.

Both unions came out for an increase in the minimum wage rate, and will probably settle for something between 60 and 75 cents per hour.

By LAWRENCE STESSIN. *Mill & Factory*, January, 1949, p. 95.4.

How to Meet the Press

IF you find a kitten wandering around your plant, hold that hand before you give the critter the brush-off. A little cat can make a lot of good promotion copy.

So a western railroad discovered when a kitten was found on the platform of one of its crack trains after it had pulled out of a certain town. The trainmen took care of the kitten, arranged to have him returned to his home town, where some child may have been looking for him. Then the road got the story to the local paper. The Associated Press picked it up. It made the front page of newspapers all over the country. Result: The railroad had dozens of complimentary letters.

This week Weyerhaeuser Timber Company was telling stories like this to everyone on its payroll—from top brass down—who meets the public. The goal is to make sure that everyone — employees, communities where the company operates, customers, shareholders, government, and John Q. Public—understands company policies. Lessons in how to meet the press are part of the campaign. The company is putting out a guide to help local executives work with newspapers and radio.

Weyerhaeuser, like many other

companies, is taking its cue from the New York Central System. Central worked up a pamphlet, *How to Meet the Press*, to guide its own employees.

How to Meet the Press is written from the railroad man's point of view. But any business can adapt it for its own special job. At the start, it makes the point that the future of the company and the security of its employees' jobs depend on favorable public opinion.

The way to get favorable public opinion is, of course, to deserve it. But you can make your company look bad if you don't know how to meet the press. The essentials: "Give the full facts, clearly, accurately, and as quickly as circumstances permit." *How to Meet the Press* goes on to tell how reporters and newspapers work, where radio fits in. Then comes a series of invaluable tips. Here's a sampling:

Controversial subjects: Keep cool if you are questioned on a controversial matter. The best course is to explain your company's position thoroughly, fairly, and clearly.

No answer: When you don't know the answer, say so frankly, and be as helpful as possible. Ask the proper department for help. When you have the information, tell the reporter at once.

Let him be the judge if the answer comes too late.

Evasions: Don't wrap up an answer in evasions, red tape, or standoff treatment. What might have been a favorable story can turn into an unfavorable story on page one. Putting obstacles in a reporter's way usually makes him work harder to get his story. Then, when it's published, it may be full of errors because he didn't get the facts from the people who know them.

Quotes: There's no reason why you shouldn't be quoted by name on most stories. In a special case, all reporters will honor requests not to quote you by name.

Previews: Reporters don't like to show you their story before it is printed. Often, time is too short. Also, the reporter has to report both sides of a controversial question; he doesn't enjoy arguments about the way he has handled his story. So don't ask to see it. It's better to have both sides reported than just the other side.

On ticklish stories, however, newsmen will sometimes read back the essentials over the phone. On stories with no urgency, they may ask you to check their story for errors of fact. If they pay you this compliment, stick to clarification of the facts. It's not out of place to suggest such a check-back, if you make it plain your interest is solely in accuracy.

Mistakes: Sometimes there will be errors. Expect some, and be philosophical about them. If the mistake is really important, tell the reporter about it—courteously.

Accidents: Don't lose your head and try to hush up accidents. That attitude merely starts wild rumors. Let accredited reporters and photographers on the scene; but keep amateur photographers out.

Confidential matters: When you're asked about these, explain why you can't talk. Be sure it's justified. If you expect to be able to give the answer later, say so; then be sure you do when the time comes.

"Off the record" information: Sometimes it's wise to give background information that will help the reporter interpret the facts you are offering. Make it clear if this information is not for publication or whether it is "not to be attributed to us if published."

Know your newsman: Every paper has its own ideas on what is news. You might visit the local editor and ask how you can help him. But don't be a pest.

Human interest: When you have a natural, like the railroad's kitten, grab it. It can pay off in good will.

Business Week, October 30, 1948, p. 31:3.

Business Appraises Its Prospects

TO ascertain management thinking on the prospects for business in 1949, *Mill & Factory* recently surveyed executives in companies of all types and sizes. Main findings of the poll:

1. Assuming no major production breakdowns due to abnormal causes, business through 1949 will be about the same as in 1948, in the opinion of 48 per cent of those answering the survey, while 43 per cent believe it will not be so good.
2. The majority, or 57 per cent, do not believe there will be a recession or depression in 1949, from a national economic standpoint.
3. Prices of manufactured goods in 1949 will be slightly less than in 1948, in the opinion of 35 per cent of the respondents.
4. The administration will not take any major steps that might disrupt private business in 1949, 57 per cent of the respondents believe.

—*Mill & Factory* 1/49

A Quiz for Tired Business Men

SCORE yourself on these quiz questions, then try them on a friend. (See page 74 for answers):

1. Of the nearly 4 million business enterprises in this country, the greatest number are devoted to: (a) retail trades; (b) wholesale trades; (c) manufacturing; (d) service industries; (e) construction.

2. The pay-as-you-go tax plan which made "take-home pay" an important part of the language, was originated by: (a) Senator Wagner; (b) President Roosevelt; (c) R. H. Macy; (d) John Snyder; (e) Beardsley Ruml.

3. One of the major sources of iron ore in this country is the Mesabi Range, which is located in (a) Ohio; (b) Wisconsin; (c) Illinois; (d) Minnesota; (e) Oregon.

4. By mid-1948, our national debt had dropped from its all-time high, but was still in the stratospheric vicinity of: (a) 200 billion; (b) 250 billion; (c) 300 billion; (d) 360 billion; (e) 400 billion.

5. The director of the Federal Mediation and Conciliation Service is a former vice president of the U.S. Rubber Company whose name is: (a) H. P. Hood; (b) Edgar L. Warren; (c) Nathan P. Feinsinger; (d) Cyrus Ching; (e) Charles P. Taft.

6. Which of the following unions,

among the largest in the country, is not affiliated with either AFL or CIO? (a) Amalgamated Clothing Workers; (b) International Ladies Garment Workers; (c) International Brotherhood of Boilermakers; (d) International Association of Machinists; (e) Brotherhood of Railway and Steamship Clerks.

7. If you don't know, maybe your secretary can tell you that the number of separate parts of a typewriter is around (a) 50; (b) 150; (c) 1,000; (d) 2,200; (e) 22,000.

8. Even if you don't have a single share of Tel and Tel, you know that the president of the New York Stock Exchange is: (a) William McChesney Martin; (b) John J. McCloy; (c) William O'Dwyer; (d) Emil Schram; (e) Eugene Meyer.

9. If an employee asks you how old he must be before he can retire to enjoy his social security benefits, you will tell him: (a) 50; (b) 55; (c) 60; (d) 65; (e) 70.

10. A provision of the new trademark act says that a trade-mark belongs to a person or company which uses it continually for: (a) five years; (b) seven years; (c) 10 years; (d) 12 years; (e) 14 years.

Kiplinger Magazine, July, 1948, p. 31:2.

Population Trends and Their Implications

THE growth of population in the United States during the century 1790-1890 was one of the astounding social phenomena of the western world. In 1790, our first census showed a population of approximately 4 million. The increase averaged about 35 per cent in each decade until 1860, and our pop-

ulation was then 31.4 million. Thus it had increased eightfold in seven decades.

In the next three decades, the rate of increase dropped to about 26 per cent and the population doubled (62.9 million) in 30 years instead of in 23.5

years as in the earlier period. After 1890, the rate of growth continued to decline and was about 21 per cent until 1910, about 15 per cent until 1930, and only 7.2 per cent between 1930 and 1940.

It now appears probable that it will rise to about 12 per cent during the current decade. After 1950 the rate will decline rapidly until by 1970 there will be little or no increase.

During most of our history, the population of the United States has had two sources of growth: (1) the excess of births over deaths, and (2) the excess of immigrants over emigrants. The former has always been much the more important and, though declining, remained fairly large until 1930. Since 1924, the excess of immigration has been limited by the quota laws, executive orders, and restrictions on immigration from Axis countries.

The decline in the birth rate became apparent in the northeastern states as early as 1800. But the death rate also declined rapidly for some decades. However, the birth rate began to decline faster than the death rate about the middle of the century, as urbanization speeded up, hence the natural rate of growth began to decline. A fair idea of the effects of the decline in the birth rate on our population growth can be had if we realize that a continuance of the rate of about 3.0 per cent per year (the rate prior to about 1860, which up to 1830 was little affected by immigration) would have brought our population to the incredible figure of 441 million by mid-1948. This is over three times its actual size.

This decline in rate of growth has not only affected the size of our population, but has considerably changed the age composition of our people. With only negligible exceptions, the proportion of children under five has

declined from 18.5 per cent in 1820 to 8.0 per cent in 1940. The decline in proportion of persons five to 19 during the same period was from 39.4 per cent to 26.4 per cent. The proportion of persons 45 to 64 years old rose from 9 to 19.8 per cent, and those 65 and over increased from about 2.5 to 6.9 per cent. In contrast, the proportion of those aged 20 to 44 changed from about 30 per cent in 1820 to about 38.9 per cent in 1940.

This shift from a population whose median age was about 16 in 1820 to a population whose median age was 29.0 in 1940 is certain to have significant effects on our social and economic life.

When our first census was taken, only about 5 per cent of our people lived in towns of 2,500 or more. By 1940, the proportion of urban population had increased to 56.5 per cent, the rural population declining in like measure. The increase in proportion of urban population must become slower in future, however, since the proportion of total population which can produce essential agricultural products is already nearing minimum.

In 1940 only about 18.5 per cent of gainfully employed persons were engaged in agriculture. This proportion was considerably reduced during the war. Though it has probably increased since 1945, it can very likely be reduced to 15 per cent or a little below as farming becomes more mechanized. In fact it may already be approaching 15 per cent because it is estimated that the rural-farm population is now only a little over 19 per cent of the total as against just less than 23 per cent in 1940.

There has been a net loss of farm population since 1940 of a little over 3 million. On the other hand, the rural non-farm population has increased by a little more than the farm population

has declined. Many in the latter category live in the immediate vicinity of large cities, however, and for all practical purposes are urban.

At the same time that a rising proportion of our total population has been congregating in cities, a larger proportion of the urban population has been congregating in big cities. The "central" cities of the 44 metropolitan districts for which data are available since 1900 contained 19.7 per cent of the nation's population in 1900 and 24.7 per cent in 1940.

With only about 19 per cent of our people on farms instead of about 80 per cent as was the case a century ago, most metropolitan communities cannot hope to grow much in the future, unless we can find and are willing to accept large numbers of immigrants. The central cities in many of these communities are almost certain to decline in numbers during the next few decades.

Another condition which has been in part the consequence of our rapid population growth was the extremely rapid expansion of economic enterprise. When population grew by 35 per cent in 10 years, obviously economic activity had to expand at approximately the same rate if there was to be no deterioration in the level of living. Under these circumstances, it is not surprising that we came to think of a constant and rapid expansion of all manner of economic activity as a normal state of affairs.

At present, and even more in the future, if we are to expand our economy as rapidly as in the past, we must depend less and less on population growth to support this expansion, more and more on rising per capita purchasing power.

In other words, we must depend on a wider distribution of wealth so that,

though we have a slower increase in number of consumers, each one buys more goods, that is, has more to spend on luxuries and spends a smaller proportion of income for necessities. People must be secure in their incomes, however—otherwise they will not spend enough for non-necessities to keep our economy on an even keel. Once retrenchment starts in, unemployment increases, low prices for farm products and raw materials drive these producers out of the market to a considerable extent, and thus depression comes. In periods when almost all the income of almost all the people went for necessities, economic fluctuations were less dependent on unpredictable changes in spending habits because these habits were largely based on necessity, not on choice.

As far as the writer can see, there is no inherent reason why a slowly growing or even stationary population should not have an expanding economy due to a rising level of living and at the same time an economy of high stability. There are, however, many practical difficulties in achieving this happy state. For one thing we must invest more and more of our capital in new luxury ventures as a smaller proportion is needed for investment in necessities and the usual comforts. Moreover, it is highly probable that different proportions of the national income are needed for capital and for consumption as improvements in technology take place—less for investment and more for actual purchase of consumer goods. Such a shift will be difficult to make, but there is no reason to think it impossible.

The fact that an increasing proportion of our population is congregating in cities produces other effects worth noting. A city population is obviously a dependent population in the sense

that it cannot supply itself directly with the necessities of life and cannot store any large supply of most of them without incurring great losses. Moreover, the economic life of cities is likely to be disrupted not only because of the vagaries of nature, storm, drought, epidemics, and so on, but also because of acts of man such as strikes, war, and economic disorganization. The more urban we become the more vulnerable we become in many respects. This increasing *urbanness* creates many increasingly difficult problems of security—economic security, military security, and social security—which we have not had to face in the past but which we cannot longer ignore.

Finally, there are two other aspects of the urbanization of our population which it seems to the writer are little appreciated. First, there is no large metropolitan district in the United States which has enough births to maintain its present numbers when its age composition ceases to benefit from large in-migration. This seems to the writer to bring up a serious question as to whether we can reasonably expect to maintain our civilization when

a large part of the 60 to 80 per cent of our people living directly under urban influences fail to have enough children to replace themselves. Second, the increasing aggregation of our people in a few metropolitan districts is also rapidly increasing our military vulnerability. We are as vulnerable today to aerial attack as England and Germany were at the outbreak of World War II.

We will become more vulnerable as the bombing range of airplanes is extended, if we do not undertake the dispersion of our industry and our population. The atomic bomb and the development of biological warfare are weapons peculiarly adapted to destruction of cities and massacre of their populations.

These facts of inadequate reproduction in cities and of their military vulnerability are denied by no one, but as yet there is no suggestion anywhere that we seriously undertake to disperse our people. The cost of dispersion will be staggering, but the failure to undertake it may be fatal.

BY WARREN S. THOMPSON. *Dun's Review*, August and September, 1948, 15 pages.

The Nose and the Grindstone

IF YOU happen to know anyone about your size and build who has his nose too close to the grindstone, see that that person reads this bit of wisdom from the pen of Joseph Moncure March:

The man who keeps his nose perpetually to the grindstone—

Despatches a great deal of unimportant work.

Produces very little good work.

Is called "steady."

Loses his perspective.

Narrows his mind.

Sharpens his temper.

Warps his personality.

Is placed on a dusty shelf with others of his kind.

The man who keeps his nose perpetually to the grindstone gets his nose rubbed off.

—*Management Briefs* (Rogers & Slade)

Answers to "Quiz for Tired Business Men"*

1. (a) Retail trades are first with nearly 2 million American business enterprises. Following retail are service industries, 727,000; manufacturing, 318,000; contract construction, 276,000; and wholesale trades, 180,000. All others add up to another 560,000 operating businesses.

2. (e) Beardsley Ruml, chairman of the board of R. H. Macy & Company, originated the pay-as-you-go tax plan. In the fiscal year 1947, the Bureau of Internal Revenue reported more than 9 billion dollars withheld on salaries and wages. This was over and above collections from individuals of another 9 billion surplus.

3. (d) The Mesabi Range of Minnesota supplies us with most of our iron ore, but the high grade ore is running out. Companies are exploring both at home and abroad for new sources, but no second Mesabi exists in this country, present explorations indicate.

4. (b) The national debt now exceeds 250 billion dollars.

5. (d) Cyrus Ching is the 72-year-old director of the Federal Mediation and Conciliation Service. He gave up an estimated \$50,000-a-year salary at U. S. Rubber to take the \$12,000-a-year government job, because he believes that "business men should participate in government wherever possible."

6. (d) The International Association of Machinists, with about 650,000 members, once in the AFL, has been an independent union for more than two years.

7. (d) According to typewriter experts, your standard office typewriter has around 2,200 separate parts.

8. (d) Emil Schram has been president of the New York Stock Exchange since 1941, when he succeeded William McChesney Martin. Schram's salary was \$100,000 a year until the end of 1948. For 10 years after that, as part-time consultant, he will get \$25,000 a year.

9. (d) Employees are eligible for social security benefits when they reach 65. They do not receive them automatically, however. They must apply in writing. Some let it slide. By the start of 1948, 1,627,000 people were fully insured and could apply for benefits, but only 702,000 were receiving them.

10. (a) Under the new law, a trade-mark is uncontestable after five years of registration and continuous use. Each registrant of a trade-mark, however, must file an affidavit in the sixth year, showing that the mark is still in use, or explain why it is not.

*Page 70.

Public Thinks Companies Should Discharge Communists

A LARGE majority, namely 64 per cent of adult men and women in cities and towns throughout the United States, believe that business and manufacturing concerns should discharge employees who are Communists. They also believe that companies should inform their workers and the community about the ways in which Communists work. These beliefs were disclosed in a coast-to-coast survey of 5,000 personal interviews recently conducted by the Psychological Corporation.

The question asked was, "Do you believe companies should or should not discharge employees who are Communists?" Sixty-four per cent of the respondents felt that companies should discharge Communists. Only 18 per cent disagreed; the remaining 18 per cent were undecided.

Significantly enough, there was practically no difference between union members and non-union labor in these beliefs. Moreover, people in all walks of life—from owners and executives to unskilled workers—shared about the same convictions.

• **TWELVE HOURS OF WORK** in 1948, contrasted with 30 hours in 1914, will purchase the week's food for the average wage earner's family, according to a recent Conference Board study. The Board points out that the workweek declined from 50 to 40 hours in the 34-year period but that the 1948 wage earner need spend only one-third of his working hours to pay food bills, while the worker in 1914 had to spend almost three-fifths of his wages on food.

Office Management

Let's Look at the Records

IT is generally accepted that if this country is to retain its present high standard of living, a fuller production of goods at lower cost is necessary. Much of the present cost of goods is what we term "overhead," a high percentage of which is traceable to accounting and clerical activities. Discussed here are some of the steps that may be taken to reduce current costs of these functions.

That results are attainable is evident from the limited experience along these lines of the firm with which the author is associated—Deere & Co., Moline, Ill. For example, we are now in process of discontinuing all current cost records involving yearly standards on material, labor, and overhead on close to 90,000 slow-moving parts.

Cost control is not concerned with figures solely, but with methods, procedures, equipment, and personnel. Thus simplicity in accounting embraces a study of the following: reports and records, equipment, and personnel. Here are some questions to be considered:

Which accounting records and reports are necessary to operation of the business? Apply the questions "What?" and "Why?" to each. This should be a continuing process rather than a periodic one.

The term "reports" here includes all types of material wherein data is recorded to convey information to others; thus, a copy of an invoice is a type of report. We have found many instances in which the number of invoice copies could be reduced. In one branch, an extra copy of repair invoices had been prepared for Sales, to record by dealers all sales of a certain item.

Every invoice had first to be scrutinized for that item, and such sales had to be transcribed to a separate record. It was found that this sales record had not been used for years and that the labor and paper cost per year to prepare it equaled the profit on some 2,000 of these items.

To analyze all reports, it is essential first to list them. All records cost money; one record usually creates another. Here's a question to be applied to each report: Is an increase in profit possible from the preparation of this report; if so, does this possible profit exceed cost of preparation?

Are form and content of reports matched with purpose? Large savings may be achieved by studying this phase of the problem. Our firm had generally accepted it as a fact that typed invoices are a mark of progress. We followed either of two procedures: We wrote a shipping order and then completely rewrote a separate invoice set; or we first typed up a combination order-invoice set. Under the latter procedure, the shipping order was extended by hand, these extensions then being transcribed by typewriter to the invoice copies. The first method required about four minutes time per page of invoicing; the second, about two minutes per page. Now, however, instead of extending the shipping order in pencil, the pretyped invoice set is extended in pencil and the billing operation and subsequent checking of transcription entirely eliminated. This year we'll pencil-bill close to two million pages of invoices, with an estimated saving of at least two million minutes, or 33,333 hours of clerical time.

Is information developed absolutely

necessary? This requisite is closely allied with that of the proper form of reports and records. Cycle billing is an illustration of the application of this premise. Through use of cycle billing, department stores have found itemized statements unnecessary. In some cases, the original sales checks are substituted therefor. In another direction, adding machine tapes are sometimes attached to remittances in lieu of a typed listing on a voucher. Most of our branches have recently eliminated terms on all parts invoices, since these terms are always the same. In other cases, we have found the territory numbers on invoices no longer serve a purpose.

Is the accuracy required consistent with use? Again determine objectives first. General ledger records pertaining to the financial status of a business and those embracing profit and loss accounts should, of course, be accurate with respect to the accounting theory that is practiced. The field of subsidiary records and internal accounting, however, often permits leeway in the matter of accuracy. Sampling and various types of test checks have generally superseded 100 per cent testing. Many reports to management need not be closely checked for totals, especially when the thinking is being done only in terms of thousands of dollars.

There is a point at which the cost of internal audit exceeds its value. Why not initiate internal audits of policy and procedure to determine if certain records are being prepared in accordance with sound business practice? Perhaps certain established pre-audits of figures needed by management may then be dispensed with. A stock order clerk who grossly over-orders may cost the firm more than one who is not too accurate in posting receipts and issues. Another point is that many controls set

up tend to become perfunctory. In some offices, every piece of paper passing over a person's desk must be initialed. That is all right if it serves a purpose; often, however, it indicates nothing.

To mechanize or not to mechanize? Before purchasing equipment, study the procedure involved. Simplify, eliminate, streamline it for hand methods, then consider it for machine application. The advent of cycle billing is an example of what a new procedure will accomplish. Machines for retail customer billing have undergone many improvements over the past 20 years to increase the speed of posting. But with cycle billing, one machine will do the work about three did under the old statement and ledger plan. Another point: It is not necessary to save a large percentage of the time required for an operation to justify its mechanization—under present wage scales, 10 per cent savings may warrant the use of machines.

Paper handling—a source of lost time? Analyze sorting and filing operations to see what degree of efficiency exists. Many accounting dollars can be saved by study of the proper application of equipment to filing, sorting, and handling procedures.

And don't overlook the value of gadgets in the modern office—those small mechanical devices, often home-made, that some enterprising clerks thought up because they didn't want to do a job the hard way. Many office devices now on the market had their beginning under such circumstances, and many are the clerical hours that may be saved through their application.

How high is office productivity? In few instances have job standards been established for office work. Thus we can only guess at the percentage of clerical time that is productive. Certainly average productive time is not

over six hours daily and, in many cases, clerical workers produce at less than 50 per cent of their potential capacity. Part of this lost time is due to poor job methods and uneven workloads, but a larger part is due to lack of proper personnel selection and subsequent training and supervision of the employee.

Many concerns now show their capital investment in each employee. The accounting records we keep on this capital are the subject of careful and accurate preparation and are usually concise as to detail. No doubt many firms know the workload of a screw machine, the actual load obtained, the cost of maintenance over its life, and its present state of health. Yet how many keep the same records on the state of health and, more important, the state of mind of the office employee? We know neither his potential load capacity nor actual output. Often we do not know even the load requirements of his job. Perhaps if we were to set up the worker as a capital investment of some five to 10 thousand dollars when he is employed, we would then be more apt to justify and control this expenditure.

More has been done with respect to application of scientific methods in employment than with subsequent training and supervision. A broad program is necessary to give the employee proper training in job techniques and comprehensive understanding of the entire business process. The worker must be made to feel that he is part

of management and that he is socially and mentally acceptable to his fellow employees, if he is to maintain a state of mind conducive to maximum production and efficiency. It is necessary that he have an over-all knowledge of the office organization and of his part therein.

Proper supervision is a key to lower clerical cost. Someone has said that a good office manager or supervisor should be three people: first, an analytical and technical individual who can gather and assemble facts in an orderly and intelligent manner; second, an energetic individual who will see that things get done in a hurry; and third, the salesman or "soft-soaper" who sees to it that the organization is running smoothly and who soothes the hurt feelings engendered by the "go-getter."

Proper supervision may be implemented by a job evaluation program with definite rate ranges. Under this program, management must be responsible for providing opportunity for advancement, so that the worthy employee is not held within a set range.

Finally, if the members of your staff often come to you with ideas for simplifying their work, you have laid the basis for reducing the cost of your accounting. If they don't, it's time to sit up and take notice.

BY EUGENE R. HARRISON. *N.A.C.A. Bulletin*, November 15, 1948, p. 287:14.

NOTE: This article also discusses in detail: forms control, records retention or disposition; getting departmental cooperation in work simplification.—Ed.

• ONCE a Western Union office was merely a place from which to send a simple telegram. Now, however, the Western Union Telegraph Co. has come up with several new services in a bid for more business. Thus, you can make installment payments at Western Union offices on cars, refrigerators and appliances. (There's a small fee involved.) You can send telegrams or use Western Union messengers anywhere in the world on a credit basis. You can put sales promotion into your telegrams by having an illustration of your product reproduced on local messages.

—Kiplinger Magazine 12/48

The Office as an Information Source

HAVE you ever seen an office inventory that listed the word "Information"? Even in fine print? Yet information is one of the most important tools of office management. Such information may be simple or complex, obvious or implied, contained in a phrase or a handbook. It may cover a single action or a pattern of operation. It may be buried in the files or rest in your desk tray. It may even be negative information which is nevertheless usable.

The office is the control center of business. In it are administered the products of the use of information. Records, for example, are a familiar product of information. They can be an efficient source of control: financial, personnel, sales, historical, procedural—the list is endless. Records can be mined unceasingly. Yet records are only one product, one form of office information. Seven areas suggest themselves as worthy of mining.

1. *Office Equipment (Furniture)*. A chair is a source of information: Does it promote fatigue for its user? Is it dangerous — one of those "skid-terrors"? Can it be adjusted? Is it the best buy for its price? Can it be easily matched?

What about a desk? Is it a space waster? A price pleaser but impractical? Is it a gadgeteer's dream but a busy man's plague? Is it built for a world of left-handers? Does it claw at nylons?

Or a file cabinet? Does it literally consume its weight in file separators? Is it designed for a midget, a giant? Do its drawers fly out at a glance? Is it needed?

2. *Office Paper*. Paper is a source of information: Does it drink ink and snub pencils? Is it too short, too long?

Is it a dollar paper for a ten cent job? Does it tear when erased? Is it wasted? Did you throw away one ream in ten at the cutter's table?

3. *Forms, Records, and Procedures*. Does a new form a day keep the files in play? Is a duplicated form as good as a printed one for the purpose? Is a procedure steeped in tradition—or in thought? How many records have outlived their natural lives? Is it necessary to be an acrobatic typist to fill out a requisition?

4. *Office Supplies*. An eraser is a source of information: Does it require a dozen numbers to order it, to store and issue? Does it smudge and make an error look worse?

Or a pencil: Does the lead hardness number mean anything—does a No. 2 on one pencil equal a No. 3 on another? Does it disintegrate in a pencil sharpener? Does the point break, waste time and patience, at the least pressure?

Or a paper clip: Is it a trick device that takes study to use? Does it lose its spring when used? Is it too small, too large?

5. *Business Machines*. A business machine is a source of information: Are you using radar for a flashlight job? Does the keyboard require triple skills in its operator? Does it do only part of the job, before requiring another machine to complete the operation? Does it require acres of space when rods would suffice? Does it ascend an incline of production without stripping its gears? Is it better than a pencil?

6. *Personnel*. Personnel factors can be a source of information: How many round pegs rattle in square holes? Do morale busters devalue the wage dol-

lar? Is a rest period beneficial? Does Suzy stay with the job because of a measure of security in her future? Can smoking permission save time? Are all the chairs filled merely because there are chairs?

7. Physical and Physiological Factors. Physical factors can be sources of information: Do surfaces reflect a glare of light? Is a rest room a rest room? Can Charley Chill and Fanny Fever live by the same radiator? Do employees face into lights? Is the office a ballroom or a sardine can? Are aisles grand concourses?

The answer to each question is a clue to the means of realizing better office operations. It is a basis for the planning of future operations.

Research is an integral part of such planning. Research, literally, is a careful or critical examination in seeking facts or principles. In its ultimate sense, it is the collecting of information, the candid evaluation of the usefulness of that information, and the channeling of its utility to the place where it will do the most good.

Research may begin in the reading of a management periodical, in a discussion with a colleague. Regardless of the medium of expression, research thrives on the familiar pattern of: (1) stating the problem; (2) analyzing the problem; (3) collecting the facts; (4) interpreting the facts; (5) forming a conclusion; (6) testing the conclusion; and (7) recording the conclusion.

The less complex research techniques include reading, listening, discussing—even asking questions of one's self. Broader mediums such as the preparing, answering, or summation of questionnaires or check lists are also important. These mediums are only amplifications, short cuts or more exhaustive applications of the simplest ways of collecting information. Whether

you question the validity of the premise that a desk is a source of information—or the report of the practices of a thousand companies as meaningful to your own—you are involved in the communication of office knowledge or intelligence.

Office knowledge and intelligence may combine to provide "a solution of a recurring difficulty." They may comprise a "common language for performance and acceptability." They may represent "the best current knowledge of a practice or an item designed to meet the necessities of current operations." When this information meets the criteria pertinent to three such desired end-products in a company, it may achieve the distinction of being called a "company standard." It may win acceptance as a "group standard," a "national standard," or an "international standard."

Since June, 1946, there has been organized action toward the development of office standards on a national basis. This action is under the auspices of the American Standards Association and the sponsorship of the National Office Management Association. Forty organizations representing the consumer, the manufacturer, the distributor and general interest groups are cooperating with NOMA in the venture.

Within NOMA, seven operating divisions are at work. Each is concerned with one of the same seven areas of the office we have discussed as a source of information. Each of these groups is tracing the seven steps in the research pattern.

Their findings will funnel to the five ASA sub-committees for use in their efforts toward developing standards. Standards will be set when they meet at least one of these requirements: (1) When they will result in important

economies. (2) When they will simplify and clarify operations. (3) When they will safeguard persons and property from injury.

Such standards are, indeed, practical and necessary. In helping to develop

and apply them, the office executive will become, more than ever, a manager of information.

By VAUGHN FRY. *Office Management and Equipment*, December, 1948, p. 29:8.

Suggestions to Improve the Office

THE Illinois Central Railroad has made good use of its Employee Suggestion System in improving its office work. Of 260,000 employee suggestions received and 44,000 adopted since the system began in 1939, approximately 15 per cent have proposed the betterment of office procedures and the solution of clerical problems.

Particular problems in office management are frequently called to attention through the medium of thought stimulators (posters) placed on bulletin boards throughout the railroad system. These posters, designed to direct employee thinking along certain lines, have helped elicit many suggestions for improving office routine.

For adopted suggestions, office employees have received awards ranging from a minimum of \$5 up to \$50, \$75, \$100, and more.

In the operation of the system, suggestions are handled under complete anonymity until the award winners disclose themselves upon publication of their winning numbers. Awards for adopted ideas are recommended initially by the local committee (one on each operating division and in each major shop) and are confirmed by the general committees having system jurisdiction. Where the suggestion has monetary value to the railroad, the award is calculated at 10 per cent of its value to the railroad for one year. Where there is no tangible value or one that cannot be measured in money, the award is a matter of judgment.

As an added inducement to constructive thinking, documentary Diamond Award Certificates (certificates of merit) are voted for suggestions that contribute outstandingly to doing a better job of railroading.

—*Office Management and Equipment* 12/48

Executive Time Out

ON THE average, how much time annually do higher executives take from business for strictly relaxation and vacation purposes (excluding holidays and regular vacations)? A recent NOMA nationwide survey covering 116 companies explored this question.

Cumulatively, the picture indicated by the survey is as follows:

None—2 per cent.
10 days or more—98 per cent.
15 days or more—78 per cent.
20 days or more—40 per cent.
25 days or more—20 per cent.
30 days or more—16 per cent.

—*NOMA Forum* 12/48

• 1,000 PER CENT: Recently the U. S. Census Bureau released a 58-year history of the increase in the average taxpayer's state and local taxes—\$7.95 in 1890; \$79.98 in 1946. Biggest surprise came in property taxes, which declined from \$37.50 per person in 1932 to \$36.52 in 1946.

—*The Employment Counselor* 10/48

Personnel

The Professional Aspects of Personnel Practices

By MILTON M. MANDELL*

WHAT do we as personnel specialists have to contribute to the solution of management problems generally? Are our opinions and advice based on logic and common sense, on experience, or on evidence obtained from soundly conducted studies? If on common sense, are we implying that the line official does not have common sense? If on experience, are we implying that he does not have experience in the handling of personnel problems?

We can, of course, justify our function by defining our work as that which a supervisor should do but which he is too busy to do. This is a useful function. But is that the only reason for our existence? It seems to me that, in addition, we personnel specialists should be able to offer information and advice which is sound, not because we think it is sound and may work in the given situation but because we have obtained information based upon experiment with the variables in situations controlled to the greatest possible extent.

For how many of the problems that a personnel official should be called upon to assist in solving can he furnish information based on experimental evidence? It seems to me that the number is quite small. If this is so, and if information based on experiment is acceptable as the basis for the personnel specialist's services, the conclusion is obvious: We as practitioners must encourage systematic research in all our responsibilities so that our present lack of knowledge can be corrected as quickly as possible.

There are many areas of personnel administration where science may not be of much help. One particular phase seems to come within the compass of this exception: We all recognize the great importance of timing in this field. We know that a good proposal advanced at the wrong time may be rejected—that a half-adequate proposal at the right time may be eagerly accepted. Perhaps this area of administrative skill will always be based on intuition and judgment rather than on experimental evidence. Many other exceptions may be noted.

It may be claimed, too, that human beings are so complex that it is highly improbable that the methods of the natural sciences will work in the field of personnel administration. Let us glance for a moment at the problems of the field.

Let us start with recruitment. Do we know the number of responses we obtain from each of our sources of recruitment and the unit cost? The relative level of ability of the personnel we obtain from each of these sources? Have we tried out recruitment methods in addition to those we customarily use in order to determine which methods work best for each occupational group? Do we know the effect of a wage and salary increase on recruitment?

In the field of selection we have advanced considerably, compared with other fields of personnel administration. We do use scientific methods to determine validity of selection devices. However, we still use methods based

*From an address before the Pacific Northwest Personnel Management Association.

chiefly on common sense—for example, the oral interview, frequently used in private industry. We use this method because we believe personality characteristics important in determining job success. But do we have the evidence to indicate that the oral interview is measuring personality characteristics successfully?

Let us consider training. It is significant that the psychologists in the military who were assigned to training projects found example after example of methods in use which violated the most elementary principles of learning psychology. One can conjecture that in many organizations similar training methods are used which have little basis in experimental knowledge.

In the field of working relationships experimental evidence is desperately needed. How can we increase the effectiveness of communication between management and the worker? What kind of supervision and administration do we need to attain the highest level of productivity and job satisfaction? What motivations are significant and in what situations? What is the impact of organization on working relationships? How shall we find the answers to these questions except by carefully designed experiments?

In other fields of personnel administration some experimental work has been done. The effect of rest periods, lighting and ventilation on fatigue and production have been studied, but we certainly do not have all the answers to these questions either.

Significant studies have been made, few in number but of fundamental importance and not known widely enough in the field. At present we are probably using inadequate knowledge beyond the limits of validity. Our chances for success in our work are dependent

upon a maximum of research on our own part and on the part of our colleagues in universities and in government.

Personnel research is complex because it is dependent upon the findings of the social sciences. We can learn from the social psychologist, the applied psychologist, the clinical psychologist, the psychometrician, the anthropologist, the political scientist, the student of administration. Our tools may be borrowed to some extent from the mathematician, the engineer, the biologist and the physical scientist. In addition, we will have to develop new tools and methods. We must also have some understanding of experimental methods and the quantitative tools used with these methods. And because we are in the field of applied research rather than basic research, we must be social engineers—must be able to translate research findings into methods which will be acceptable to people and which can be used to modify their behavior. All the learning in the world will be of little value if we cannot develop the concept of social engineering.

We have all heard the bromides advanced to explain why research findings are not acceptable to the persons to whom we present them. The most usual is that the findings are interesting but are not applicable to the specific problem. Or the findings may be interesting, but don't we need more of them before we can come to any definite conclusions? Obviously many such comments may be sound but often they are just excuses.

We personnel specialists cannot advance in our field by opinion and concept. We can only advance by obtaining data which others will accept. Read the personnel magazines of the 1920's and I think you will agree that where we have not experimented, the old

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opinions are as good as the new. The concept of line versus staff organization, for example, is still discussed because we have as yet failed to get experimental evidence for our approach to specific situations. Our approach to methods of executive selection, however, which in the 1920's produced opinions, in the 1940's produced data. We made advances in this field, not by continued general discussions but by the research of outstanding leaders in the field. Now we can cite definite facts based on the work of Thurstone, Burleigh Gardner, the military, the

OSS, the British Army and the U. S. Civil Service Commission.

An appreciation of the importance of hypotheses and concept in research is necessary, for research not based on a sound rationale is usually either wasted research or is exorbitantly expensive. On the other hand, concepts and hypotheses must be exposed to experimentation which supports or denies their validity. It is the duty of the personnel specialist to encourage research work, to know research findings, and to acquire the skills necessary to translate research findings into programs of action.

20 Pointers on Better Supervisory Relations

By DONALD H. JENSEN*

"JOHN," said the shop superintendent to one of his foremen, "I understand that you have known, for several months, of a new process that could save the company considerable time and money. Why haven't you told us about it?"

To which John summed up his attitude: "Nobody asked me."

Nobody asked him! In this case the foreman wasn't fired or even seriously reprimanded. The shop super was an understanding individual who knew the score. He appreciated that they both worked for a top management that believed information and loyalty traveled on a one-way street: from the lowest echelon of supervision on up.

It's a sad situation but one that exists in hundreds of companies. Top management hires high-salaried personnel specialists, efficiency experts, community relations strategists and overlooks its potentially strongest link

with rank-and-file employees. Needless to say, it's the efforts of the workers, in the final analysis, which decides whether or not a company will produce a product profitably, or will carry on public relations successfully, or will make a go of any other activity.

Supervisors who are uninformed will *never* consider themselves a part of management. Hanging, as it were, between management and labor, their own morale, and the respect they can engender from others, is negative. So they are unwilling—indeed, unable—to furnish leadership and to build overall confidence in the company.

Information — and loyalty — will flourish only on a two-way street. To start the traffic moving, here is a 20-point program that companies which have been reticent in supervisory relations can start putting into effect immediately:

1. Supervision should be thoroughly

* The author is currently engaged in a consumer relations project for a nationally known New England manufacturer.—Ed.

briefed on all changes in union contracts, when a layoff is planned, or when market resistance or material shortages threaten production, or when any serious situation develops.

2. Supervision down the line, in departments concerned, should be informed when an operation is to be relocated, when new machinery is being considered, or when other moves are planned—and supervisors' suggestions should be encouraged.

3. Supervision should promptly receive copies of new product catalogs and other sales material, plus reprints of company ads (they should always receive advance proofs of public relations ads that have to do with strike issues or other controversial subjects).

4. Supervision should (with few exceptions) receive copies of news releases the same day they are scheduled for publication and early copies of employee or consumer publications.

5. Supervision should receive copies of all speeches, technical papers, articles or published quotations of company executives or representatives (where such material is lengthy it should be briefly summarized or important points marked with red pencil).

6. Supervision should receive advance file copies of all bulletin board notices with supplementary background information provided where necessary.

7. Supervision, particularly at the foreman level, should be advised when employees under their jurisdiction are to be approached with reference to suggestion awards, company publication articles, personnel department matters, or for other similar reasons.

8. Supervision should be promptly notified, particularly where a plant is unionized, of new job classifications or

rate changes, promotions or dismissals, and similar matters.

9. Supervision should be provided with a complete and up-to-date organization chart of the company—it's important they know who answers to whom, from the board chairman on down.

10. Supervision should know that company policy provides for clearly defined titles—or that where confused titles or cases of overlapping authority exist, vigorous corrective measures are being taken.

11. Supervision should be thoroughly briefed prior to the company's issuance of its annual report or financial statement, particularly if this information is publicized or sent to employees; and they should be continually re-educated on the role of stockholders, the uses for profits, the extent of state and federal income taxes paid by the company, and other basic economic facts.

12. Supervision should be thoroughly familiar with investment possibilities in the company and know they will be given preference wherever practical.

13. Supervision should know that their efforts to tell the company's institutional and public relations story, and to explain America's profit system—through participation in community groups—are appreciated; and that recognition will be given those doing outstanding jobs.

14. Supervision should be informed of clearly defined avenues for advancement and know their efforts for self-betterment will be recognized; and they should be encouraged to develop leadership in subordinates.

15. Supervision should be provided with complete information on technical and personnel training opportunities

available in the area and alerted whenever lectures or demonstrations of potential interest are to be given locally.

16. Supervision should have available all worthwhile trade publications — technical or management — and know they may obtain, on request, photostats or reprints of articles for home study or future reference.

17. Supervision should know that company time is available in which to attend trade shows when they are held in the area—and they should be encouraged to turn in critical reports on competitive developments.

18. Supervision should be promptly

introduced—individually, at their own work location—to new operating and manufacturing executives, particularly where it has been necessary to go “outside” for a key man.

19. Supervision—foremen particularly—should be provided with a regular opportunity (perhaps a late lunch once a month in the plant cafeteria) for the exchange of information and the discussion of common problems.

20. Supervision should be provided with an opportunity to sit down with top management at a social dinner in a downtown restaurant once or twice a year.

“Louisiana Story”

ORDINARILY, most industry-sponsored films do not rate high as entertainment, so the audience almost invariably gets in free. But *Louisiana Story*, which cost Standard Oil (N. J.) over \$250,000, played at top prices in New York, ran in Boston and Hollywood, and has been spoken for by exhibitors in many other cities. Further, the film won awards as one of the year's best.

Possibly the most amazing thing is that the film nowhere credits the company as sponsor or makes any special plea for the oil industry. The story is simple: A young boy spends his time playing with ‘coons and ‘gators, overcomes his backwoods shyness and becomes friendly with a drilling crew at work on an amphibious rig. The message, if it can be called that, is not hard to take: The oil business is based on fascinating technology; the drilling crew are a competent and likeable lot; the coming of the oilmen teaches the boy that there is a lot of world beyond his little swamp and bringing in the well means cash money to his family.

The aim of the company in making the film was to entertain first, then to interest people and, if possible, drive an opening wedge into the traditional and inherited adverse public opinion that has plagued the industry. To achieve this, the firm called in the famous Robert Flaherty, whose *Nanook* and other documentaries have made film history. Flaherty made a preliminary trip to study possibilities, saw his story in the Louisiana bayous. The score for the production was written by Virgil Thomson, played by members of the Philadelphia Orchestra, with Eugene Ormandy conducting.

Though as yet there is no accurate measurement possible of public relations results, the company is well satisfied with its expensive project and believes the interest aroused by it will ensure good reception to follow-up materials now in the works; among them: two somewhat technical shorts by Flaherty, on drilling a well and the refining process.

—Tide 12/17/48

• A REGULAR POLICY at Willys-Overland Motors, Inc., Toledo, Ohio, which might profitably be emulated by other firms, is to send tear sheets from the plant magazine to the company's supervisory personnel in advance of its general distribution. Thus the supervisors receive the information first and have an opportunity to digest it. This practice also has the psychological advantage of increasing supervisory prestige.

Feed 'Em and Reap

THE worker's lunch-pail may soon take its place next to the cigar store Indian as a badge of a bygone day. In-plant feeding of workers, as part of a policy for bettering labor relations, is increasing by leaps and bounds. Latest count shows that 74 per cent of the nation's factories employing more than 100 workers have some facilities for serving lunch or rest period snacks.

The reason is simple: Good diets help make good workers.

The business of feeding employees during working hours is not all milk and honey, however. The practice has grown so quickly that many in-plant feeding programs are missing vital ingredients.

Of late, a considerable amount of research has been done on the subject. Perhaps the most practical survey is one conducted by Crotty Brothers, industrial restaurateurs. Their findings show that employees can be severe critics and many of them have specific faults to find. Here's the gist of employee "beefs," together with a prescription for some of the cures:

Complaint: "Portions are too small."

Remedy: To avoid increasing prices, in the face of inflationary costs, many companies have decreased the size of the portions — particularly on meat dishes. A slight rise in price and return to former portions might be the wiser policy to follow. Chances are that even at a higher price the cost of a meal in your plant is less than can be obtained in outside diners.

Complaint: "We have to wait too long to get served."

Remedy: Studies show that a worker should not have to wait more than five minutes to load his tray. Where a longer time is required, some compan-

ies have stretched the lunch period from 30 to 45 minutes. Other remedies include: (1) staggering the lunch periods; (2) lengthening the lunch counter; (3) running double lines.

Complaint: "Tables are always cluttered up with dishes of previous lunchers."

Remedy: This is simply a problem in proper maintenance. If you operate with a small staff, you can ask employees to cooperate by placing their trays and empty dishes at designated spots or on tray wagons.

Complaint: "Our lunchroom looks like an Army barracks—long benches and long tables."

Remedy: The new trend in employee lunchrooms is to get away from such institutional characteristics. Tables that seat four, six, or eight have been found to be best to increase employee sociability. Also avoid small eating rooms. Figure on eight to 14 square feet per person, when calculating your lunch room capacity.

Complaint: "It's monotonous eating in the same place every day."

Remedy: It won't be monotonous if it's a cheerful place to eat—and if new ideas to stimulate interest are tried from time to time. Try these new twists:

1. Appoint decorating committees to primp up the room in tune with various holiday seasons — Thanksgiving, Christmas, etc.

2. Tack up colorful posters on walls announcing social or recreational events, or the result of some contest.

3. Use a variation of this technique on the tables. Have your message—whatever it may be—printed on a small card. Place it, tent-like, at each employee's place.

The above are lunch-time complaints.

Many firms also use mobile wagons—rolling cafeterias to provide snacks during morning and afternoon rest periods. Where these are in use, a whole galaxy of gripes have been turned up—most of them easily remediable.

Complaint: "The aisles are always jammed and the carts can't come through."

Remedy: Keeping aisles clear is the obvious solution. But, even then, set up regular wagon stations and have employees come to the cart—instead of the other way around.

Complaint: "By the time the wagon gets down to me there's nothing left to choose from."

Remedy: A common complaint because most carts start from the same place every day. Try this: Alternate starting points for the cart. On one day have it proceed from station one to station 10, reversing the route next day.

Complaint: "I'm tired of getting leftovers from previous lunches."

Remedy: This "beef" comes mostly from workers on second and third shifts. Closer supervision over those who operate wagons, to make sure that their supplies are fresh every shift, will correct the situation.

These are the high spots, but if you really want to pinpoint the situation in your own company, you can do one of two things:

1. Appoint an employee "cafeteria committee" to meet once a month and go over complaints from other workers as well as flaws they have noticed themselves. After it has screened the assorted gripes, the committee should present the valid ones to top management. Keep this committee small enough to be workable, but be sure each floor or department is represented.

2. Poll employees to find out what they think of your feeding facilities. It will furnish you with a wealth of detailed information.

BY LAWRENCE STESSIN. *Forbes*, October 15, 1948, p. 24:1.

Labor's Attitude Toward Wage Incentive Plans

LABOR and management agree that current wage incentive programs have decided limitations and must be reformulated if they are to play a permanent part within the framework of our collective bargaining procedures. The interests of workers and the pressures exerted by unions must be taken into account in any such revision, if wage incentives are to succeed. Presented here is an exposition of some of the worker and union views and attitudes derived from the writer's observations of the installation and ad-

ministration of these programs within the textile industry. This appraisal will deal primarily with wage incentive plans, defined to include all programs which relate workers' earnings immediately, directly, and continuously to their output.

Employers who offer wage incentive programs to workers as a means of helping them attain a basic living wage usually arouse antipathy and opposition. The worker expects a living wage not as a reward for additional effort but as a normal by-product of employ-

ment. He is, moreover, aware that his own output is significantly more affected by tools, methods of operation, managerial performance, plant morale, and operating conditions than by his own personal application.

Workers in industries or areas where substandard wage levels prevail are not interested in wage incentive systems. They and their families generally suffer from malnutrition, "hidden hunger," chronic fatigue, slow thinking, indifference, and high mortality rates. Work provides little satisfaction to workers in such a society; efficiency is a far-distant concept. The gap between actual living and subsistence is so wide and personal exhaustion is so common that workers are discouraged from seeking a minimum standard through mere personal effort. They look upon piece-rate systems as programs for measuring output and policing workers rather than as techniques for improving the employee's lot. Such has been the experience in certain segments of the textile industry.

On the other hand, higher-paid groups tend to accept wage incentives as a means of automatically raising their incomes. Another group that looks with considerable favor on wage incentive programs comprises workers engaged on craft jobs where the custom of paying on some unit basis has been long established. Usually the products are distinct, and output reflects worker skill and effort. The tradition of payment by results is well established and cannot be uprooted.

Considerable support for the principles underlying wage incentive plans is derived from the workers' and unions' desire to share in the constantly rising level of man-hour output and the declining input costs per unit of output. But the types of wage

incentive plans predominant today fail to satisfy workers and trade unions. They restrict the types of productivity changes for which the worker is compensated. They reward workers solely for increases in output due to human application. Increases resulting from the use of new methods, from materials, working conditions, machinery, or other environmental factors are excluded, as are savings in input costs. Such restrictive wage incentive programs fail to solve the problem of distributing the benefits of increased productivity.

Any improved program of wage incentive must therefore provide for the inclusion of the basic reforms of rising productivity; namely, higher personal application, greater output for causes other than personal application, and lower input cost per unit of output. These programs must provide for specific methods of measurement of these changes in productivity and allow for free negotiation on how these gains are to be shared.

A significant factor operating strongly against wage incentive systems, particularly those constructed on an individual basis, is the tendency to differentiate among individuals and set workers against each other. One employee is judged by the achievements of another. The basis for discrimination and favoritism is established. The insecurities common in our highly individualistic society are accentuated. Unions are generally born out of workers' desires to prevent such discrimination and differentiation. The first union defense in collective bargaining has been the standard job rate. Rate ranges for single jobs, and particularly arrangements for merit determination for individuals by employers, are generally disapproved by unions. The standard level of produc-

tion has been used by both organized and unorganized workers to attain group security. They attempt to attain it by pressuring pace-setters to confine themselves to a standard output. The third basic union policy is the insistence on the group rule. Uniform rules for all employees as a class prevent discrimination. Personal caprice of top or subordinate management is minimized.

To make programs which promote personal incentives acceptable to the trade union movement, they must be tailored and administered in a manner which will strengthen rather than weaken the feeling of group security. The successful operation of wage incentive programs in strongly unionized industries indicates that the integration of the union into the administration of such plans helps to overcome the fear of the effect differences in workers' earnings will produce. Where wage incentive programs are cooperatively developed and administered, the opportunity for successful reconciliation of views and pressures is greatly increased.

Workers' fear of the personal cost of wage incentive systems is another factor that operates to make such systems fail. With the rise in the work pace, greater physical, mental, and emotional demands are made upon the worker. Moreover, motion studies may alter jobs to eliminate skills and deprive workers of the value of their accumulated experience and status. The character of the work changes with an increase in routine and monotonous occupations.

Workers also tend to question management's good faith in proposing to increase productivity by wage incentive systems.

If cost reduction is the major pur-

pose, and it is the crucial interest in most installations, there are other alternative approaches for making the plant more productive and for increasing output without exhausting workers or requiring higher worker application. Certainly, attention to lighting, safety, humidity, temperature and maintenance of plants will tend to produce greater man-hour output. High plant morale, good union relations, and a cooperative personnel enjoying economic security will automatically bring increased productivity. The best solution of these production problems, it is argued, is to tackle them directly. The last trick in a program of cost reduction is the wage incentive system. Naturally workers are skeptical when it becomes the first one.

Another source of opposition originates with the transfer of part of the risks of business to the worker. Unit product rates become fixed labor costs. All the vagaries of the machines, materials, processes, working conditions, and the conduct of the personnel as they affect production become worker hazards. Managerial deficiencies become worker costs. Unions frequently secure protective clauses in their contracts to guarantee earnings during periods of depressed production and of waiting for work. But these provisions are generally inadequate and merely provide another source of dispute and tension.

Another serious source of distaste for these plans stems from employers' efforts to use the take-home pay achieved by workers under these incentive programs to offset proposals for wage increases or for job rate adjustments. Many recent and significant labor disputes have arisen from the employer's insistence on avoiding the responsibility of placing wage in-

creases fully on the base rate and allowing workers to enjoy the full premium thereon.

Employers have offered many devices to circumvent the full impact of a wage increase by crediting part or all of the incentive earnings against such adjustments. Following are some of a number the writer has encountered:

A proposal to institute an incentive wage system as an alternative to a wage increase.

A proposal that current hourly rates be paid for the equivalent of a 66%-unit effort, and that the workers be expected to raise their output, which is estimated by the company's engineers at 58 units, to the 66%-unit level, without additional compensation.

A proposal that wage increases be applied to the incentive earnings. The base rates under such circumstances would be raised only enough to maintain the existing relationship between incentive earnings and the base rates.

A proposal that the increase in base rates should be limited to an amount necessary to produce an increase in incentive earnings equal to the rise in the hourly rates.

Such proposals have considerably undermined workers' and trade unions' belief in wage incentive programs. Avowals that the public spokesmen for wage incentive systems are not representative of individual management do not clear employers of their full responsibility. The failure to conform to the announced maxims of the wage incentive system has made these systems particularly vulnerable and

brought them into greater disrepute.

Organized labor is interested in higher output and income. Its active cooperation can be enlisted in programs for promoting productivity through direct association of earnings with output. But such plans must provide for the sharing of the gains in productivity arising not only from increases in human application above high-task levels, but also from all other sources of greater productivity. The personal costs of such programs must be considered in fashioning these plans; they must be kept at a minimum. High productivity should not be perverted by restrictive managerial policies. Vital to the success of such programs are the reduction and simplification of the numerous technical problems which now endanger cooperative labor-management relations. Present measurements for arriving at standards for wage setting lack scientific foundation and must be used with the caution required by all practical techniques. To rest entire systems of wage payment upon them is to abuse the technique and do injustice to employees. Successful programs demand joint fashioning of the technique by both trade unions and management.

* By SOLOMON BARKIN (Research Director, Textile Workers Union of America, CIO). *Industrial And Labor Relations Review*, July, 1948, p. 553:20.

• FACTORY WORKERS in the Middle Atlantic States scored gains averaging 8 to 12 cents an hour during the year ending at mid-October according to the Bureau of Labor Statistics. This compares with nationwide gains in average hourly earnings of 11 cents. Production workers in Pennsylvania increased their average hourly earnings by 12 cents, New Jersey workers by 11 cents, New York by 10 cents, while Delaware factory employees gained an average of eight cents an hour. Workers in large cities in the Middle Atlantic States gained similar or greater advances during the year. Thus, factory reports for New York City indicate increases averaging eight cents an hour over the year. Philadelphia workers gained 11 cents, while advances for Pittsburgh factory workers averaged 16 cents an hour.

Problems in Scheduling Supervisory Training

SCHEDULING supervisory training presents different problems, depending upon whether the group to be trained is concentrated in one area or widely scattered. In both cases, there are several important factors to be considered if management is to do an effective job of group leader development. Several of these are outlined below.

The "guided conference" method of determinate discussion lends itself admirably to the effective development of group leaders. The combination of conference style and informational lecture allows the trainer to conduct a give-and-take session which develops a train of thought and then brings it to the proper terminal. This training method requires a skilled conference leader with a carefully planned syllabus.

The schedule for a dispersed group may be based upon: (1) Trainer traveling to strategic key centers where six to 16 supervisors converge for concentrated units of the conference training sessions. (2) Training center based at one location and receiving contingents of supervisors from various locations in rotation until all have passed through the one training center. (3) Combination of (1) and (2), arranged nationally or regionally. (4) Selection of one potential conference leader from each geographical division who would then be qualified in the methods and material of the supervisory training projects. (5) Broadcast of provocative reading material to be followed by a personally guided discussion of the topics, in order to crystallize the best group thinking for the benefit of each individual.

All these plans for dispersed training depend on the Socratic method of instruction by means of a series of questionings designed to elicit ideas eventually establishing some general truth.

Scheduling supervisory training for a concentrated group is simpler. Some important considerations here are:

1. Include all supervision—"top" people and lowest links of supervision alike. "Top" groups should participate first.
2. Groups should have a minimum of eight to avoid "bull sessions," a maximum of 18 to allow participation.
3. Sessions should be conducted on company time in a clean, well-ventilated room free from production noise and interruption. Classroom atmosphere should be avoided. Chairs should be arranged around a table or in a semi-circle, not in rows. Maximum time for any one session should be one hour. No official record or stenographer should be allowed in these informal discussions.
4. Pool supervisors so that no given area is stripped of supervision at any one time.
5. Assign the training to a conference leader who does not "live" in your plant. A new face, new words, and an outside viewpoint can emphasize principles instead of bogging down on specifics.
6. Avoid general use of the word "training"—foremen do not mind conferences, discussions, or developmental sessions, but they do resent being "trained."

—ALFRED R. LATEINER in *Personnel Journal* 3/48

"Graduates Day" for Retired Employees

"DEAR JIM: We miss you and we would like to see you back here once in a while," the invitation begins. "We are going to have a special Graduates Day the first Thursday in every month at lunch time. That doesn't mean you won't be welcome any other time you want to come out here; but on the first Thursday in each month, you and the other graduates are particularly invited back here to lunch with your old friends—and the lunch will be on us."

This informal method of assuring retired employees that they are never "gone and forgotten" and, incidentally, of softening the way for others who are continually becoming eligible for retirement, was adopted by the Package Machinery Company, Springfield, Mass., as a human-relations follow-up to its pension plan, inaugurated last year.

Since the purpose of the plan is to assure retired employees that they are still part of the team, the visits are not given any fanfare, such as a special table reserved for "graduates," which might be a possible source of embarrassment for some. Rather, they come in at the regular time and eat lunch with their old friends, just as they did before retirement.

Know Your Labor Contract

IGNORANCE of the meaning and intent of labor contract provisions is directly responsible for many of the misunderstandings—and the consequent loss of time, wages, production, and morale—which continue to plague some companies. Unintentional contract violations, inconsistencies in the settlement of grievances, procedural errors and many of the other factors underlying such difficulties are traceable to this same source.

Formal training in the interpretation and administration of the agreement is one of the essentials of any program designed to ensure that the labor relations function is properly carried out. But training alone is not enough. It does not guarantee a thorough knowledge of the agreement or an understanding of its content and cannot ensure that its terms will be uniformly applied. Some method for evaluating the effectiveness of this training and for measuring the individual's knowledge and progress must be incorporated into the program.

Objective examinations, properly constructed and analyzed, offer the simplest and most practicable method for evaluating the effectiveness of the training program. Results of such tests enable management to isolate many potential sources of labor difficulties and to take the necessary remedial action before a crisis arises. Here is how one manufacturing company got to the root of its sorest labor-contract problems.

Following the conclusion of contract negotiations, copies of the new agreement were distributed to all superintendents, foremen, supervisors and personnel department employees concerned with its administration. At the same time, instructions were issued advising them of a five-session con-

ference and requesting that they study the contract thoroughly and prepare a list of all questions they wished to discuss.

Five conference groups were scheduled. Conference leaders for these groups were selected from those who had attended all contract negotiation meetings. Conference outlines and materials were reviewed with them before each session. Conferees were advised during the first session that an examination would be held upon completion of the program and that their scores would be recorded as part of their personnel records.

The exact wording, meaning and intent of every provision were covered in detail. Where possible, relevant company policies, minutes of negotiations, pertinent state and federal legislation and case histories were systematically introduced. The first test was a 100-item, objective examination made up chiefly of the true-false type of question. Each provision in the contract was represented by one or more items. Questions insofar as possible retained the exact language of the contract and were a statement of fact having a single correct answer.

The purpose of the tests was discussed with the president of the local union and the chairman of the grievance committee, who were persuaded to take the examination and to ask other union representatives to do so. Union scores were kept confidential and were used for comparative purposes only.

Analysis of test results showed the following:

1. The factual content, meaning and intent of the contract provisions were neither thoroughly nor uniformly understood by management representatives—this despite the fact that some

60 per cent of the provisions were identical with those of the old contract which had been in effect the previous three years. Scores ranged from 44 to 88 out of a possible 100.

2. Test scores for foremen and supervisors indicated that some were completely unqualified to handle the labor relations phase of their jobs. These men were almost certain to make costly errors if they attempted to handle their own labor-relations problems.

3. Certain contract provisions were almost uniformly misunderstood or misinterpreted by all conference participants. Clearly such clauses had been improperly phrased when written. However, the training session conference leaders had done little to clear up ambiguities and had failed in their job of explaining the intent of these clauses.

4. The conference groups differed in their understanding of the contract. Certain questions and groups of questions on the provisions missed by a large percentage of one group were not missed by others and vice versa. This reflected a possible difference in conference leadership. These variations generated rather than decreased lack of uniformity in the understanding of the trainee.

5. Union representatives taking the test differed markedly from management participants in their interpretation of certain provisions. Such differences are the greatest single source of labor difficulties in the day-to-day handling of complaints. In some cases these differences reflect only a continued resistance to certain compromises made during negotiations. Others, however, reflect a real divergence of opinion.

6. Union representatives had a more thorough knowledge of the agreement than management personnel. The

lowest score made by a union representative exceeded that made by 60 per cent of the management groups. All the union men taking the test had been present during the contract negotiation meetings, while only a few foremen and supervisors had participated in any of them. Nonetheless it is essential that management representatives have as thorough a working knowledge of the agreement as grievance committeemen and stewards if they are to perform their jobs properly.

It was apparent from the results that the goals of the training sessions had not been attained. The following procedures were therefore decided upon:

1. Additional training conferences were scheduled. Each leader was assigned a different group in these follow-up sessions and test papers were returned to conferees as a basis for discussion. New tests were administered at various stages in these sessions and discussions were continued until nearly all participants had a thorough working knowledge of the agreement.

2. A rewrite of the contract was begun (a) to avoid technical and legal phraseology; (b) to include more explanatory material on the meaning and intent of the provisions; (c) to provide a question-and-answer section on the issues most frequently raised in the conference sessions; and (d) to provide illustrative examples and diagrammatic material where possible.

3. Individual counseling and guidance was planned for those who did not respond adequately to the continued group training.

4. Renegotiation meetings were planned with union officers to discuss and clarify those points on which a real difference of opinion had been shown to exist.

5. A continuing program was designed to keep foremen and supervisors acquainted with current developments. Grievance clinics were planned to discuss the outcome of important, precedent-setting cases, or those which were particularly illustrative of good and poor labor relations. A supervisor's grievance manual was planned in which abstracts of all current settlements would be filed. And a plan for supervisory participation in negotiations, grievance meetings and contract writing was evolved.

Objective tests have a vital role to

play in the labor relations training program. Results discussed here clearly illustrate the use of such tests in measuring the effectiveness of a training program; in detecting the causes of labor difficulties arising from lack of knowledge and understanding of the

contract; in evaluating the supervisor's ability to carry out his labor relations responsibilities; and in providing factual information as a basis for future policies and procedures.

By ROBERT C. ROGERS. *Personnel Journal*, October, 1948, p. 171:5.

Production Management

Company Practices Regarding Employee Inventions

TO determine industry's current policies with regard to employees' inventions, NAM recently surveyed 684 companies in all fields. Highlights of the survey findings are presented below.

Of those answering the question "Is a written assignment of inventions made during the term of their employment required of employees as a condition of employment?", slightly more than half replied affirmatively. Other firms require an assignment of any invention which may result from the employee's company activities, but not as a condition of employment.

Twenty-two per cent of the respondents indicated that only the research and engineering staff were required to sign such an agreement. In addition to the research and engineering staff, 20 per cent replied that executives, supervisors, and other technical operating employees were also required to sign such an agreement. Seventeen per cent also required employees in the sales and/or service department to subscribe to such an agreement. Twenty-two per cent require all employees to assign such inventions to the employer, while 20 per cent require a combination of the employees mentioned above to do so.

Approximately 70 per cent reporting make the period of assignment correspond with the term of employment. About 18 per cent specify a certain period beyond the term of employment during which assignment of inventions is required under the contract. The period varies, many requiring only one year after discontinuance of employment, some two years, a few only six months.

Of those firms that do not require a written agreement from employees, 31 per cent report that they have an oral understanding that inventions, pertaining to company business, made by employees during their term of employment, are to be assigned to the company.

The questionnaire asked: "What is the scope of the assignment: (a) All inventions of an employee resulting from his employment activities? (b) Only those in the field of your business? (c) Other?" Thirty-six per cent of the 373 answering this question reported that they require all inventions of employees resulting from their employment activities to be assigned to the company; 62 per cent stated that they require employees to assign only those inventions which apply to company business. A few respondents take

the position that if the invention is developed on company time they are thereby entitled to a royalty-free license under the invention.

In the majority of cases, the answer was "no" to the question, "Is any compensation other than salary stipulated in the contract paid for a meritorious invention?" Only 35 per cent replying had such a provision. There is a wide variation as to how compensation, other than salary, is to be paid. Thirty per cent of the 193 firms reporting that they pay such extra compensation said it is made by means of promotion and salary increases. Twenty-seven per cent pay a bonus which often varies with the importance of the invention. Many firms reward employees by both methods. A fixed fee for each meritorious employee invention is given by 8 per cent of those responding.

The survey asked: "If non-technical employees are exempt from assignment agreements, do you have a suggestion system covering ideas from those employees? (a) If patentable suggestion results, is assignment taken when award is made? (b) If no assignment, what rights does the employer retain when an award is made?" More than half the respondents have a suggestion

system for rewarding non-technical employees who are exempt from the assignment agreement. Sixty per cent of those having a suggestion system state that if a patentable suggestion is made an assignment is taken when the award is made. Many, however, require that an assignment be made when the patent application is filed, and some, having no formal system, believe a patentable idea should be assigned and compensation given according to the value of the invention to the company. If no assignment is taken of a patentable invention, the employers in general retain only "shop rights" under the invention, though some claim exclusive rights thereunder.

Of those replying to the question, "If employer sells or licenses employee's patent, does inventor share financially? In what way?", 26 per cent answered in the affirmative, some indicating that they give a share in the royalties received, usually 50 per cent; a few that they give a percentage of the annual profits resulting from the invention; others that they reward the employee by means of promotion, salary increases, or bonus.

From *Trends in Industrial Research and Patent Practices*. National Association of Manufacturers, 14 West 49th Street, New York. 80 pages.

New Ways to Trim Inspection Waste

INSPECTION is a waste of time and money. That's not really an overstatement. Inspection is an item of overhead—and a big one in most plants. Today, it may represent 10 per cent or even 20 per cent of total production cost. So the manager who wants to show a profit will take advantage of every idea that can bar wasted time and effort from inspection

operations. Here are five steps that can be taken right now:

1. *Eliminate non-essential inspection operations.* The Material Control Division of the Navy Department Bureau of Ordnance recommends grouping all possible product defects into four classes: "critical," "major," "minor A," and "minor B," as one way to do this. The aim: to

prevent minor defects from getting too much attention.

2. *Improve working conditions.* Experts point out that good lighting is as important for inspectors as for production workers. Time study and methods improvement can uncover many opportunities for savings. In short, almost every technique that helps production workers will help inspectors.

3. *Fit the worker for the job.* Today several companies provide excellent training programs for their quality control personnel. But training inspectors is only part of the job; according to Bigelow-Sanford Carpet Co., which has such a program, management and production personnel need training in inspection and quality control principles, too. Inspectors should be trained first, though; other personnel later. Parker Pen Company goes one step further. A complete description of each inspection job—including gauges and other inspection equipment, order in which dimensions are to be observed, etc.—is written up. Then, if one inspector leaves, another can quickly learn the job and take over.

4. *Use inspection reports.* Inspection may waste some money, but it's far from a loss when inspection reports are used to the hilt. That's why forward-looking companies are setting up systems by which key production personnel are advised of causes for rejection, so they can take corrective action. Inspection follows through to make sure it is taken. This constant systematic check-up is one of the greatest values to be obtained from any inspection system.

5. *Get everyone's help on problems.* If only because it is such a big item in manufacturing cost, inspection is im-

portant to almost everyone in the plant. The sales department is affected by the fact that poor inspection means more and bigger howls from customers. Over-cautious checking of purchased parts and return of too many lots can earn black marks for the purchasing department. So, good inspection can help sales and purchasing, and many others. Purchasing can help inspection by securing vendor cooperation in improving purchased parts and so reducing the need for inspection.

Statistical quality control by means of sampling won't answer all inspection problems, but it will help solve many. Sampling means using a few parts to find out about many. At first thought it may seem like drawing conclusions on too little evidence. Actually, though, statistical-sampling techniques are often more reliable than 100 per cent inspection in indicating the quality level of a large group of parts. That's because the inspector's efficiency is bound to go down when operations are repeated over and over. In sampling, closer attention to a few parts is substituted for a quick look at many. Then, carrying statistical techniques a step further, sample measurements can be charted to keep track of performance trends and stop rejects before they happen. Applied to receiving inspection, sampling can save thousands of man-hours, and give the purchasing department a real talking point when shipments must be returned.

Here are only a few of the many areas that offer real chances for inspection savings. How recently have you checked your inspection setup to find out whether:

1. *Inspectors have the tools and working conditions they need:* Has a list been made of equipment for each inspection job? When certain gauges

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are used constantly, do inspectors have their own? Is good lighting, ventilation, etc., provided at inspection benches?

2. *Waste motion has been eliminated from inspection jobs:* Have methods improvement techniques been applied to inspection? Have travel routes been worked out for floor inspectors? Have inspection jobs been time-studied?

3. *Sampling techniques are being applied wherever possible:* Are parts purchased from vendors sampled instead of being inspected 100 per cent? Are frequent checks and control charts at the machine substituted for 100 per cent inspection? Are any parts being inspected more than once between operations?

4. *Full advantage is taken of inspection reports:* Do production managers and foremen, engineers, and product designers receive copies of inspection reports? Is there a follow-through system that makes sure action is taken on such reports? Are workers told how their performance stacks up from week to week?

5. *Human relations get careful consideration:* Are supervisors brought into the act—given a chance to participate in quality conferences? Are wage ranges set so that skilled inspectors are not earning less than incentive-production workers? Have incentives been considered for inspectors themselves?

Modern Industry, July 15, 1948, p. 40:6.

Machine Tool Productivity Decline

PRODUCTIVITY in machine tool manufacture decreased from 1939 to 1947. The average number of total factory man-hours expended per unit of product in the manufacture of selected types of machine tools was 10 per cent higher in 1947 than in the earlier year, according to a report issued recently by the Bureau of Labor Statistics, U. S. Department of Labor. The report indicated that this rise was accounted for by an increase of *indirect* (overhead) labor despite a significant reduction of *direct* labor man-hours per unit.

A number of factors contributed to the steady rise in unit man-hours during the reconversion period 1945 to 1947; most of these were directly traceable to the low volume of output. As demand decelerated after 1945 and war-surplus machines became available, the machine tool builders had to meet increasingly severe competition. As a result, they turned to improvements in design and construction of their machines, necessitating in many cases higher man-hours per unit.

The 1947 index of total factory man-hours was 7 per cent above 1945 (the last year covered in the Bureau's initial report on man-hour requirements for selected types of machine tools), chiefly because of a continued rise in overhead labor and a sharp decrease in production which led to increased direct labor per unit of output. The rise in total factory man-hours per unit for 1945 to 1947 continued the trend begun in 1941, a year in which man-hour requirements were 10 per cent below 1939.

Company data indicates that in comparing plants classified according to size, all groups but one consumed more time per machine in 1947 than in 1945. The smallest plants (100 or fewer wage earners) continued to maintain to some extent the relative increase in efficiency attained during the war years.

SPRING PRODUCTION CONFERENCE

The Spring Production Conference of the American Management Association will be held on Tuesday and Wednesday, April 12 and 13, at the Waldorf-Astoria, New York City.

Marketing Management

What Basing Point Decisions Mean to Your Business

MUCH alarm and confusion is evident among business men concerning the anticipated effects of the Supreme Court decisions in the basing point cases. The centers of industrial production, we are told, will be ruined because they will lose their business to producers nearer to the consuming markets. At the same time, we are told the buyers in these consuming markets will be ruined because they cannot get supplies close at hand and therefore must pay prohibitive prices, or move to the centers of production. The Pittsburgh-Ohio area, New England, the Chicago area, the South, the West, each, we hear, is to lose business to competitors, though it is not indicated where the competitors are to be located who will take over this business.

A picture so distorted is obviously the product of confusion, some of which may have been fostered by self-interested propaganda. My purpose is to offer what I believe is a more realistic account of the probable effect of the basing point decisions upon business men.*

Public discussion of the probable effects has taken as its starting point the false surmises that under the decisions every business enterprise is required to adopt an f.o.b. mill pricing system, and that no enterprise may absorb any portion of the transportation charge which it incurs in serving its customers except in isolated and sporadic transactions.

Only three basing point cases have reached the Supreme Court. In one, the cement case, the Court sustained

the Federal Trade Commission's finding that members of the cement industry had conspired to fix prices by using a basing point formula and that price discriminations which impaired competition among the conspirators were inherent in the formula used. In the other two—the Staley and Corn Products cases—the Court sustained the Commission's findings that competition among these companies' customers had been injured by virtue of the fact that some customers had been charged substantially higher prices than others and thereby had been seriously handicapped in relative costs and in ability to sell their own products. In the cement case, the Supreme Court reviewed the Staley and Corn Products cases and offered the dictum that the combined effect of these cases "was to forbid the adoption for sales purposes of any basing point pricing system."

Neither this nor the other dicta of the Court in these cases can fairly be taken as indicative of an intent to require f.o.b. mill pricing or as a condemnation of the various alternative forms of pricing such as pricing c.i.f. central market, zone pricing, uniform or postage stamp pricing, and pricing f.o.b. mill with various kinds and degrees of freight absorption.

In other words, realistic discussion of the effects of the Supreme Court decisions should be based on two starting points: (1) that price-fixing conspiracies which rely upon common use of a basing point formula can now be reached under the law as readily as any other type of price-fixing; and (2) that basing point systems which

*In doing so, I shall express my own views, not the official views of the Federal Trade Commission.

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involve both freight absorption and phantom freight are likely to give rise to monopolistic conditions resulting from unlawful price discriminations and are unlawful if such conditions arise. Since use of such systems is hazardous, it may be that in practice they are likely to be abandoned even if they are not collusive in origin.

The effects of the basing point decisions upon business practice may be divided into those which arise in the transitional period and those which may be expected later.

Unfortunately the transitional effects have not appeared alone. They have been distorted by two conditions. The first is the present shortage of supplies in industries such as steel and cement, which are central in the change. As a result of this shortage (even before the basing point decisions) various suppliers, unwilling to absorb the freight necessary to reach their more distant customers, were refusing to serve some of these customers if the entire output could be sold nearer home. Customers thus cut off by a distant supplier were often unable to turn to a nearby supplier because the entire capacity of the nearby mills was already committed to serve old customers.

Despite shortages, suppliers were furnishing products at prices often substantially lower than they could have realized. Had the basing point system been abandoned under more normal market conditions, the probability is that some customers would have turned from distant to nearby mills, that other customers would have been retained by their former suppliers through use of various forms of freight absorption which did not involve the systematic matching of delivered prices of all competitors, and that prices at non-base mills and in areas adjacent to these mills would

have fallen. Under existing circumstances, however, this kind of transition ran contrary to the interests of the suppliers.

Compliance with the law has been offered as an excuse for refusal to absorb any freight whatsoever, and thus delivered prices to those customers who before the basing point decisions were still being supplied by mills which absorbed freight have been substantially increased. Though many mills had previously set prices high enough to permit net absorption of freight on their total volume of business, and though those which adopted rigid f.o.b. mill pricing were now rid of the cost of this net freight absorption, in various industries such mills did not reduce their mill prices when they made the change. Instead, some of them implied that higher prices and higher mill realizations were now required by law. Buyers adversely affected by such practices have been unable to turn to nearby mills because of the shortage. The effect upon the interests of various buyers resulting from this way of handling the situation has been incorrectly described as the inevitable effect of compliance with the law.

A second condition which has tended to reinforce the first has been the development of a vigorous campaign by certain respondents in the Commission's basing point cases to induce Congress to amend the law. The more extreme the application of the present law can be made to appear, the better is the chance for new legislation. The commercial self-interest in rigid f.o.b. mill pricing during this time of shortage has been reinforced by political self-interest in making the law seem rigid, arbitrary, unreasonable, and highly inconvenient to buyers. I have heard of one case in which a seller refused to give his customer

information as to the freight costs between mill and customer, claiming that to convey such information would be a violation of the FTC Act. Certain sellers of scarce materials have been urging their customers to join the campaign to get the law changed.

There is nothing but business policy to require these sellers—both those under orders by the Commission and those who are respondents in cases not yet decided—to adhere to a rigid f.o.b. mill pricing system. Neither is there anything in these orders by which individual sellers who act without collusion and without an industry-wide systematic matching of prices are prevented from absorbing freight in order to reach customers in the considerable number of instances in which they can do so without illegally injuring competition. Similarly, nothing but business policy prevents sellers from reducing the level of their prices enough to offset the costs of freight absorption in so far as they no longer incur these costs. Nothing in the law requires an increase in the average mill net realization of the seller such as sellers have typically obtained in shifting from basing point systems to f.o.b. mill pricing systems.

So much for the present confused and transitional situation. Now let us look at the long-run effect of the basing point decisions upon the economy.

The changes in the structure and location of industry which can be predicted from the decisions are only those that stem directly from abandonment of the basing point system and that do not depend upon the particular pricing practices which replace that system. The most obvious change is that the consumer is likely to be

given the benefit of water rates and trucking rates for the delivery of goods where these forms of transportation are available as a satisfactory substitute for rail freight rates. In the past, when water shipments were used, the consumer was typically charged the rail freight; and, since he was thus deprived of incentive to accept slower water transportation, the barge lines were under-utilized. There are already evidences at Pittsburgh that shipments of steel by water are picking up. Moreover, sellers of basic raw materials who must rely upon rail transportation to reach markets which their competitors can reach by water are already bringing pressure to bear upon the railroads to reduce the cost of rail shipment.

Basing point systems encourage an extravagant interpenetration of markets, involving excessive crosshauling and other unnecessary expenses of sale and delivery, by depriving buyers of incentive to purchase from nearby mills rather than distant mills. Once we get rid of the formulas which destroy the consumer's incentive to economize transportation, though some interpenetration of markets will undoubtedly continue, it is reasonable to suppose that the amount of crosshauling will be substantially reduced and the cost of distribution will decline correspondingly.

The abandonment of basing point systems should also do something to strengthen small business enterprises against their larger rivals. Aggrandizement of the base mills and limitations of the size of the non-base mills has been inherent in the basing point pattern. If the basing point system is abandoned, there is a substantial possibility that the practices which replace it will give the small producers

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who are now located away from basing points a better chance to enlarge their volume, both by improving their relative competitive strength in their home markets and by diminishing the costs they incur in selling toward the

substantial home markets of their larger rivals.

By CORWIN D. EDWARDS (Director Bureau of Industrial Economics, Federal Trade Commission). *Industrial Marketing*, November, 1948, p. 43:6.

Put Your Distribution Policies in Writing

A CERTAIN successful equipment manufacturer is now selling several lines formerly made by units of the company which were recently merged. The over-all operation is working successfully — manufacturing has been centralized, management has been efficiently organized, and sales volume is fine. The only trouble is that no one bothered too much about the distribution setup.

The company merely continued with the dealers and distributors who served all its predecessors, accepting all the trade terms and discounts in force before the merger. At the same time, it continued to sell direct through its own sales staff, which was thus put in the position of working both through and around the distributors and dealers.

It became apparent that the discounts effective on some of the specialty items in the line, requiring creative salesmanship, were excessive when applied to staples. An effort was therefore made to adjust discounts, with a resultant howl from the trade.

This greatly disturbed management. What to do? The company is loath to make any radical changes in its present setup, but it is obvious that many things will have to be done if it is to get both the total volume and net profit to which it is entitled.

The basic error lay in the company's failure to determine distribution and sales policies at the beginning of the new regime. This was the logical time to clean house and get rid of obsolete methods, to lay down a firm and just policy of distribution, and to establish distributors' discounts which would provide an incentive to them and at the same time be reasonable from the standpoint of company sales costs.

Unfortunately, many firms have distribution systems and policies which, like Topsy, have "jest grewed." Nobody in authority has ever reduced to writing the company's basic distribution policies with a clear statement of what is expected of distributors and what in turn distributors may expect from the company. Here are a few of the questions which should be answered — in writing — in establishing distributor connections:

1. Is the company selling direct or through dealers and distributors? If both, under what conditions is the dealer's interest protected? How is the company salesman protected? Constant conflict can develop where salesmen endeavor to get large orders direct from the customers, while dealers are relied on for the smaller business and the pick-up stuff.

Or trouble may develop if salesmen

are paid on a salary-and-quota basis, with a small bonus for over-quota sales, where the dealer's business is not counted in the quota. Salesmen have been known to place orders received with local dealers for an under-the-counter commission from the dealer. Here the distributor policy practically commits suicide.

2. Is a dealer or distributor franchise protected as to territory? How is overlapping among dealers avoided — or will the field be wide open, with nobody protected on a territorial basis?

3. What is the trade discount based on? Does the distributor have to carry a specified stock in order to earn maximum discount? Is the discount the same whether the manufacturer makes the sale and delivers the product through the dealer or the dealer is solely responsible for the order? The manufacturer's discount may be so liberal that the dealer is encouraged to cut the price to land an order for which the manufacturer's salesman may be competing. Or it may be that all dealer sales carry the same discount. In the case of the larger items requiring considerable engineering service, discounts should be rescaled to cover installation costs. Obviously the trade discount should be based on

services performed and not on a routine or uniform schedule hallowed only by precedent.

4. What controls over resale prices are there? Is there a conflict between dealer's delivered prices and manufacturer's prices f.o.b. factory? Is the plan one which encourages price-cutting or commission splitting?

5. Are manufacturer-dealer relationships expressed in a written contract? Does the contract give full information on products, prices, territory, trade or cash discounts, stocks to be carried, service facilities to be provided, promotional material to be furnished, etc?

It is unfair to dealers and distributors not to have a clear understanding as to their function, responsibilities, and compensation. But it is even more unfair to the company to have misunderstandings based on loose distributing arrangements which create friction between salesmen and dealers, reduce normal profit on distributor business, and fail to indicate the specific services which all middlemen handling the company's products are expected to perform.

Put it in writing!

BY G. D. CRAIN, JR. *Industrial Marketing*, June, 1948, p. 47:3.

Awards Announced for Leadership in Marketing

HAVE you or has someone in your organization made a specific contribution to the advancement of scientific marketing during 1948? If so, you are qualified as a candidate for the annual leadership award or for one of the citations to be publicly presented by the New York Chapter of the American Marketing Association at a luncheon meeting in June, 1949.

Contributions may be in any field or aspect of marketing, whether theoretical or practical. Contributions in economics, psychology, statistics, sampling, market analysis, advertising research, opinion research, distribution, sales analysis, merchandising, or in any other realm of marketing would qualify so long as the specific contribution tends in some way to advance the science of marketing.

Those wishing to enter in their own behalf, or to nominate a candidate should write for entry blanks to Mr. A. Edward Miller, Secretary, New York Chapter, American Marketing Association, c/o Life Magazine, 9 Rockefeller Plaza, New York 20, N. Y. Entries must be received on or before April 1, 1949.

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Differentials in Expense Allowances for Salesmen

TODAY more and more companies are developing sliding scale systems for the payment of salesmen's automobile expense allowances. Under these systems, payment varies with the type of roads in the territory and the amount of traveling involved. The reasoning on which such methods of payment are based could also be applied to another phase of expense control. Since salesmen traveling in small towns do not have hotel or food bills comparable to those of men who travel in big cities, a payment plan which sets one general limit, or puts no limit, on these expenditures is likely to be costly to the company and unfair to the men.

A recent Dartnell survey indicates, however, that this matter has not been considered by more than a handful of companies. One respondent did say that expense accounts are analyzed by regions, and that any man in a region who is out of line will be questioned; the overwhelming majority reported the point had not been discussed.

A sales executive in the pharmaceutical field, operating a national sales force, described this system of average allowances by territories:

"Men list their actual expenses on their daily reports. From these we can work out average allowances for each territory. Right now our allowance for food is on a flat daily national basis because we have found the variations are slight. Hotel rates, however, have quite a range from one area to another.

"The man estimates the number of out-of-town days he will have, and his expense budget is set up by multiplying the number of these days by his average allowance. Of course he goes over on some days, but if the total runs very much above the budget, we check. If he has more out-of-town

days than he expected, it is settled every six months. Adjustments in allowances are also made at six-month intervals, if necessary.

"We believe this system avoids the inequities of a flat across-the-board allowance."

Another system for handling this problem has been developed by the U. S. Rubber Company. Here's how it works, according to Richard Denby:

"At the end of the year, each man makes out a route schedule for whatever period is needed for one complete swing around his territory. This may be two, four, or six weeks.

"This schedule is passed by the division manager to headquarters. The man's auto allowance is set up from it on the Runzheimer Plan; the hotel allowance is determined by averaging rates in the cities where he must stay from the latest hotel directory. Food costs are determined by averaging vouchers of salesmen in several divisions of the company who work the same territory.

"From these figures, we develop an annual budget which is paid in 13 four-week installments. We don't care if the salesman spends more on food and less on hotels, or more in one period than in another, so long as he is pretty close to his annual total budget. If he is quite a bit off, it is usually an indication that he is routing himself inefficiently or doing something else which needs correction.

"Our present range of food costs is from \$3 to \$4 a day. Our men usually live in their headquarters cities, and we find hotel rates in the smaller towns are comparable. This system has shown up one serious inequity on hotel rates; the man who has to stay in resort areas during the tourist season needs a much higher allowance.

"As a further check on the accuracy

of these allowances, they are checked at intervals against expense vouchers submitted by the salesmen."

A third company has taken no action as yet on this matter, but is currently engaged in a spot check of expenses

of 12 salesmen in different parts of the country. If this pilot operation shows up valid differences by regions, the check is to be extended to the entire sales force.

The Dartnell Corporation, Chicago.

Industry's Current Pricing Practices

GROSS profit of one-third and net profit after taxes of 10 per cent is the most common rule of thumb among executives responsible for pricing policies. This was a finding of a recent Dartnell study of the pricing policies of 150 companies.*

The basing point decisions which have received so much attention in recent months have had "very little effect" on the pricing policies of most companies studied. Respondents indicated that, after seeking legal advice, they decided not to make any change in their pricing method until the situation is clarified either by further court interpretations or legislative action.

The majority of companies indicated that they do their pricing by a formula which takes into account on a percentage basis raw material, labor, overhead, sales expense, trade discounts, and profits, but in most cases the formula is modified in terms of competitive prices.

Increasing concern was reported with the need for a "profit floor" under all the divisions of contributing companies. One executive said his firm had assigned each product manager a minimum per cent of net profit, varying according to competitive and patent situations, as his most important goal for the year.

The question of small orders was found to be receiving attention from more manufacturers than any other single problem. Methods used to raise the size of orders included: penalizing the salesman who wrote unprofitable business, charging a minimum handling fee, and even educating the customer in how much it costs him to place a small order.

"Mark-down" prices—charging \$4.95 instead of \$5, for instance—were found to be traditional rather than the result of any testing. Field testing of prices in general was found to be used by only a few companies.

*Pricing Policies. The Dartnell Corporation, Chicago, 1949, \$7.50. This report provides detailed coverage of some of the items highlighted here and, in addition, discusses the basing point cases and such pricing methods as working back from traditional retail prices, the 100-per-cent-of-conversion cost system, cost-plus pricing, and pricing policies which take into account the stage of market development for each product.

Effects of Eliminating Basing Point Pricing

TO determine the effects on industry of the Supreme Court decision which enforced abandonment of basing point pricing, *Mill & Factory* surveyed a sample of all types and sizes of companies. Some of the survey findings:

Elimination of the basing point method of pricing commodities such as steel, cement, and possibly others, has caused their manufacturers to pay higher prices, 70 per cent of the respondents report.

Industry as a whole will not benefit from abandoning basing point pricing, in the opinion of 86 per cent.

Congress should take legislative steps to make basing point pricing legal, say 82 per cent.

Sixty-two per cent of those replying report that their organizations will not find it necessary to change their method of pricing to conform with the Court decision outlawing basing point pricing.

—*Mill & Factory* 12/48

Quiz for Marketing Executives

1. Do your products as presently designed really meet market needs? How do you know? Are your market needs changing and, if so, how?

2. How do your products compare with those of your competitor: in design, in performance, in price—and most important—in the eyes of users?

3. Could your products be improved to give greater satisfaction? (A better product is one of the solidest kinds of competitive advantage.)

4. Have you too many (or too few) products in your line? This question should be answered from the viewpoint of users, of distributors, and of your own marketing operation. What yardsticks do you use in dropping products?

5. Are you reaching all known profitable markets for your products? Are there perhaps unknown markets which could be tapped profitably? If your answer is "no," can you prove it?

6. What types of new products should you develop or add to your line? Is your product development program designed to capitalize on company strengths and avoid company weaknesses? Have you adequate measures of market acceptability for your new products before investing heavily in production and marketing operations? Is the entire sequence of new product development, from the idea to final marketing, so managed as to achieve utmost speed?

7. What is the industry total of sales, and what is your company share, by products, by markets, by distribution channels, etc? What trends are evident in company performance as compared to the industry?

8. Do you have an adequate measure of sales potential by salesmen's territories, by districts, etc., so that you can plan your marketing activities intelligently, establish useful sales quotas,

and in general appraise the effectiveness of your territorial sales efforts?

9. What is the relative profitability of your various products and sales territories?

10. Do your distribution channels reach the market adequately? Should new channels be added, perhaps some eliminated? Do you have too many distributors in a particular market?

11. Are the price levels of your products the most profitable today and in the light of probable future conditions? Is consumer psychology regarding your prices known? What are the risks of further increases? What price behavior may be anticipated from competitors? Do you have adequate production cost data at different levels of output and estimates of distribution costs so that intelligent consideration can be given to price policy?

12. Are discount structures to various groups of distributors competitive and designed to encourage favorable attention to your product? Perhaps wholesale levels are too low or too high? Are quantity discounts, if used, related to cost of selling larger quantities?

13. Is your marketing program worked out in terms of over-all strategy with salesmen, advertising of various types, distributor assistance, and other selling methods combined in the most effective proportions? Is the coordination between the field sales force and advertising efforts effective so that each reinforces the other?

14. What distinguishes your successful salesmen from your poor salesmen? Is use being made of such information in adding new men? Can psychological testing be used to advantage in your selection procedure? (It is just as vital to insure that your employees' abilities are not far above the type of work

they are hired for as it is to see that they measure up.)

15. Are sales territories properly laid out to keep salesmen effectively busy? Does your measure of sales potential aid you in laying out such territories and in measuring performance?

16. Are quotas set with reasonable accuracy on the basis of information on competition and the other factors which affect performance?

17. Does the salesman's compensation plan encourage him to put forth his best effort along lines desired by the company?

18. Is field supervision adequate in amount and quality?

19. Are salesmen reporting only *essential* information from the field? Is this information actually used?

20. Do you have means for setting reasonable standards for salesmen's expenses in various territories?

21. Is your training program adequate for meeting present and future buyers' markets?

22. Are your advertising media reaching customers, prospects, and distributors at the lowest possible cost

consistent with effective coverage?

23. Are your copy themes really working? What measures do you have to reveal this?

24. Is the distribution of your advertising budget among the various uses of your products backed up by actual facts?

25. Is the physical distribution of your product meeting the needs of your market by minimum-cost transportation from properly located factory or warehouse stocks?

26. Is your sales forecasting procedure adequate for production and sales planning?

27. What do consumers think of your company? Do they view you as progressive and efficient or old-fogey and sloppy?

28. Are you in close touch with activities of any and all governmental agencies which might have some bearing on your business, such as Federal Trade Commission, Food and Drug Administration, Department of Justice?

By ROSS M. CUNNINGHAM. *The Journal of Marketing*, July, 1948, p. 77:2.

28 Ways to Strengthen Sales Through Distributors

DISTRIBUTORS KNOW that manufacturers were handicapped by wartime priorities and shortages; they're willing to make allowance for that, *if* the manufacturer played fair and didn't deliberately neglect them. Yet many distributors are fed up with manufacturers' apparent lack of interest in their problems. These distributors are pushovers for aggressive competitors, but they may be saved in time if their suppliers quickly go back

to the basic principles that built their distribution setup.

Smart marketers have anticipated that their distributors would require both sympathetic treatment and thorough retraining. This need has been intensified by the fact that many distributor salesmen spent years in military service and many are new and untrained. Manufacturers' present productive capacity has greatly increased over prewar years, too. Furthermore,

there are many postwar products crowding the field, and new markets have been invaded by some manufacturers. There even have been attempts to steal competitors' distributors.

For those who sell through distributors, here is a check list of ways to stimulate distributor sales and improve distributor relations:

1. *Bring your distributors' salesmen into the factory for training.* This is slow and expensive training, but it is particularly suitable for industrial products and permits headquarters personnel to make friends of distributor men.

2. *Send a flying circus out into the field.* Many manufacturers send out a group of experts who present a prepared program to gatherings of distributors' men. This type of training is rough on the performers but gets the job done well and in a hurry.

3. *Have your salesmen hold distributor meetings.* This reliable method is widely used. Some salesmen do not like to hold distributor meetings but can be encouraged to do so if they attend a few good meetings put on by others. Also,

4. *Send out over-the-barrel letters to each distributor.* These letters explain how sales meetings boost distributor profits and urge the distributor to set a date for his meeting. The manufacturer's salesman is then obliged to hold the meeting.

5. *Provide your salesmen with visual presentations.* Any type of visual aid—flipsheet, sound slide, motion picture, charts, slides or a combination—will enable both natural speakers and reluctant talkers to put over the same best story.

6. *Furnish reprints of visuals for your distributors' men.* These will serve as memory-refreshers.

7. *Have your men make calls with distributors' salesmen.* Making calls with salesmen convinces the distributor of the possibilities of your line. Once two or three of the distributor's men have been converted to working on

your line, it is not necessary to work on the rest of his force.

8. *Prepare a correspondence course for your distributors' men.* Distributors' men remember your salesman only until the next manufacturer's salesman comes along. So your problem is to keep reminding these distributors' men in between the contacts made by your man. A correspondence course of 10 easy-to-read lessons mailed weekly to one distributor's force tripled volume.

9. *Build a mailing list of your distributor salesmen's home addresses.* Salesmen are more receptive to sales messages at home, away from the pressure of the business day. Try to get these home addresses, which are difficult to secure. Your field men can help here.

10. *Send good-will mailings to your distributors' salesmen.* There are many ways to generate good will by mail. For example, birthday and wedding anniversary remembrances are little human gestures which create good will for your company.

11. *Send out get-acquainted booklets.* A booklet of photos and thumbnail sketches of each member of the inside headquarters sales organization introduces the distributor's man to the manufacturer's personnel with whom he corresponds, helps to make friends by remote control.

12. *Use a special house organ for your distributors' salesmen.* This publication will tell how to sell your products, broaden the knowledge of your line, and increase company prestige.

13. *Furnish practical demonstrators to your distributors.* Even companies making large equipment are solving the problem of product demonstration by supplying miniature models in plastic and other materials. Try to devise some such aids for your own line.

14. *Disseminate successful sales techniques.* An opening phrase doped out in California can boost sales in Maine—a clincher perfected in Spokane can produce more orders in Cincinnati. Mobilize and direct the com-

bined sales talent of your distributors' salesmen by contests, letters, or some such device.

15. *Tell distributors' men about your advertising.* Tell them again and again. Mail out reprints. Get your salesmen to hand them out and tack them up on distributors' sales bulletin boards.

16. *Tell distributors' men about your publicity.* Even your own salesmen don't know how much publicity help they are getting unless you tell them.

17. *Provide displays for shows and clinics.* Distributors want suitable exhibits of the products they handle for the shows held by trade, professional, and distributor groups. Compact, portable exhibits can be kept busy the year round and boost sales when given fullest possible use.

18. *Help your distributor check his stock.* When a stock clerk fails to replenish stocks of your product in time, future sales are lost. Your men should habitually check stocks when they call on distributors. Order forms sent with each shipment to the distributor for the next order are also helpful.

19. *Distribute and follow up leads.* Don't handle inquiries carelessly. Send them to your distributor and check up on him. A return form sent with each referral which he must fill out and return as his report may prove effective.

20. *Issue a printed distributor policy.* Most distributors like this as it reduces the possibilities for misunderstanding or argument.

21. *Keep your distributor informed on how he's doing.* Give him the facts and figures on his sales of your product. Ask for suggestions on increasing sales, keep "selling" him the line, and

point out new or neglected markets.

22. *Advertise in distributor trade journals.* This refreshes distributors' personnel on sales, market, and profit possibilities of your line and is good advertising to potential distributors.

23. *Keep hammering away at prospective distributors.* Send regular distributor material to distributors you would like to have. This softens them up for your salesmen, and some who are dissatisfied with war treatment of other manufacturers may respond to your offer.

24. *Furnish a list of users and photographs.* User lists and albums of installation photos are effective selling tools if you select names and pictures from the distributor's own locality.

25. *Make up a condensed catalog for distributors' men.* If your sales catalog weighs five pounds, your own man may carry it but your distributor's man won't! Make him a condensed version.

26. *Help distributors keep customers sold.* One automatic home laundry machine manufacturer sets aside a sum out of each distributor's commission to pay a qualified housewife to instruct each new purchaser. This upped user satisfaction, reduced service calls.

27. *Make it easy for distributors to sell your products.* Give your distributor the illustrative materials to show customers how your products can be used or installed to suit their purposes.

28. *Provide space for the distributor's imprint on your literature.* This is a frequently overlooked but important consideration which is just as much to your advantage as to your distributor's.

By LOUIS H. BRENDL. *Printers' Ink*, August 6, 1948, p. 27:6.

AMA MARKETING CONFERENCE

A conference of marketing executives and sales managers will be held by the American Management Association on Thursday and Friday, March 17 and 18, 1949, at the Statler Hotel (formerly the Pennsylvania), New York City.

Packaging

It's a Deal

EVERYBODY likes a bargain. Business has always been quick to capitalize on this human foible. Out of it has grown the popular merchandising practice known as the "deal"—the limited-time offer or the combination sale at an attractive special price.

With the return of competitive merchandising, there is renewed interest in this method of speeding sales, particularly in ways of packaging the combination offer so it will be convenient and sturdy for handling, attractive to the impulse shopper, and economical to produce.

First consideration in planning such a combination package, of course, is the sales goal to be reached. The deal may be used for a variety of reasons:

Reducing inventory. When sales are slow, a combination package of related items often gives an added sales spurt to slow-moving items. Sometimes combination offers are used to clear out inventory of an old package when a new one is contemplated.

Introducing a new product. Offering a new product with an old established one, at an attractive price for the two, often builds quick acceptance for the new product.

Old product. Even long-established products require promotion to maintain leadership. Offering one with a related item or a premium creates new interest, many additional sales.

Sampling. Packaging a new product, either full size or trial size, with a related item gets new users to try this product.

Opportunity for larger unit sale. Every retailer is interested in the number of dollars he can ring up on the cash register. A combination package of related items for a limited time at a special price is one way the manufacturer can offer an inducement to the retailer for increasing sales while building up dollar volume.

Continuous combination package. In some lines it has been found advantageous to use a combination package as a regular sales unit. In the soap industry, for instance, such packages usually contain several bars banded together and fair traded at a slightly better price for the several cakes than they could be purchased separately.

Banding is one of the most common methods of preparing the combination seller. When such means are used, care must be taken to see that the band holds the items together securely enough to maintain dealer good will. Nothing is more troublesome to the retailer than combination packages which are difficult to handle. One successful banded "deal" is Wrisley's promotion of Spruce shave lotion and toilet soap in a combination unit retailing at \$1, the price of the lotion alone. Specially printed bands hold the two different-sized cartons together, but arranged side by side so that, for the banding operation, the width of the soap carton placed sideways is equal to the depth of the shave lotion carton faced forward. Copy on the band reads: "Special bonus offer! Spruce shave lotion, Spruce toilet soap, \$1 plus tax, both for the price of lotion

alone." The printed matter is arranged so that it must be centered on the face of the package, which requires attention to correct placement of the printing in the banding operation, but makes for a much more attractive package. Company salesmen say the package has had excellent acceptance by dealers and has held up well in handling.

A simple taped combination that conveyed quickly the idea of a bargain was recently used by the Durex Blade Co., for New York and Philadelphia markets, to promote a new combination package of Durex Double Edge Gold Blades. Taped to the regular pack of 15 blades for 25 cents was a bonus offer of five blades. The bonus tuck carton of five blades was offered with guarantee of refund price when the 15-blade package was returned. The tape explained the offer. The company claims that this bonus package tripled average sales of Durex blades in stores where it was offered and that the dealer's profit was 39 per cent.

Often the success of a combination deal depends upon the convenience of its form for counter and shelf placement. An interesting example is the vertical carton being used for a special offer of a jar of Jergens face cream with a 50-cent bottle of Jergens lotion, both for 43 cents. Purpose of the deal is to get people to sample the face cream. From experience with other deals, the company learned that dealers prefer packages that take up little shelf space. The vertical carton with the lotion in the bottom, separated by a piece of corrugated board to hold the face cream jar on top, takes up much less shelf space than a horizontal type package, is easy for the dealer to promote in small space, and is less likely to be broken up for the items to be sold separately.

The combination package can be used successfully for food products too. Notable was the recent "deal" offered by Iglehart Brothers, Evansville, Ind., to popularize its prepared mixes—combining a package of Swansdown gingerbread mix at a special price with the purchase of a package of Swansdown instant cake mix. This company claimed it cut the cost of combining consumer deals in half by the use of a specially developed conveyor system, four bundlers and pressure-sensitive tape. This packaging line is estimated to save the company thousands of dollars a year. By this method, two packages are joined together as a single unit with four bands of automatically applied tape, two strips of half-inch transparent cellulose tape and two strips of one-inch green acetate fiber tape which can be imprinted with information about the offer in black. The printed tape is placed near the top of the package, the transparent tape near the base. The tape is applied by semi-automatic methods at the rate of 23 finished combination packages per minute. Equipment consists of a 10-ft. conveyor equipped with a 22-ft. belt and 15 sets of double cleats. One operator at one end loads the packages two at a time into each set of steel cleats. The cleats grip the packages tightly while four arms apply the tape operating from four bundlers.

This ingenious procedure for banding two packages together is said to save the work of eight operators applying water-activated tape by hand. It is a most efficient operation for large-scale production warranting installation of a specialized mechanical line for producing combination packages.

Many combination packaging problems can be solved simply by the pro-

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duction department in the plant. Often banding and gluing equipment used for other operations can be adapted for the special package. And carton loading can frequently be done by hand. When automatic production is necessary, many firms supplying equipment of this type—conveyors, bundlers, tap-

ing devices, etc.—can be called into consultation to help develop the operation. In such planning, the four "musts" to remember are: convenience, sturdiness, attractiveness for counter display, and economy of production.

Modern Packaging, August, 1948, p. 95:6.

The Shipper's Responsibility for Damage Claims Prevention

THE shipper plays a major role in the creation, or the prevention, of damage claims. On him falls the responsibility not only for the quality of the packing materials he accepts from his container manufacturer but also for the type of service he permits the railroads to sell him. It is the objective of this discussion to point out some of the ways in which the shipper contributes to the claim account, and the steps management can take to bring about a reduction of claims.

That the shipper can aid materially in claim prevention is evident from study of data compiled by Mr. T. J. Gross, Managing Director of the Shipping Container Institute, as a result of a test shipping program, covering over a million containers, conducted recently by the Institute. This data showed that 1 per cent of the containers shipped were reported damaged to some extent. Of these damaged containers 33.6 per cent were due to shipper faults. Seven-tenths of the 1 per cent had only superficial damages which did not result in claims; three-tenths were damaged to the extent that claims were filed. Of the damaged containers on which claims were filed, 35.4 per cent were due to shipper faults. More important than the number of containers damaged is the dol-

lars-and-cents value of the damaged merchandise, as revealed by claims filed. A breakdown of this data shows that:

39.5 per cent of the dollar value of the claims was due to shipper faults.

43.0 per cent of the dollar value of the claims was due to carrier faults.

17.5 per cent of the dollar value of the claims was due to unassigned causes.

Principal causes of damage observed which were considered primarily under the shipper's control were: excessive slack in the load, poor arrangement of cargo, inadequate bracing, poor preparation of the car prior to loading, rough handling during loading. Other important causes stemmed from the failure of shippers to reject dirty, leaky cars and cars in bad condition with nails or other hazards in walls or floors, etc.

Basic to the accomplishment of claim reduction is general recognition by industry that proper packing and loading is an important managerial responsibility. That responsibility is largely one of realizing where the packing function fits into the organization pattern and supporting those responsible for the function in their efforts by giving them the necessary authority.

Packing, fundamentally, is insur-

ance. After a company has invested designing talent, production labor, materials, and its manufacturing facilities to create a product, it is the rankest kind of poor judgment to provide inadequate protection against shipping hazards. At no time during the life of a product is it worth more than when it leaves the shipping-room door. Then it is in perfect factory-fresh condition, and if customers are to be satisfied it must remain in that condition until they receive it. By failing to recognize the importance of the packing function, you can cancel all the efforts of your Engineering and Production Departments, you can influence customers to leave you faster than Sales can find them, you can place your Financial Department on a strictly red-ink basis.

What can be done to set up this important function of packaging, packing and loading on a sound basis?

The packing function must be properly organized. Responsibility must be definitely assigned. Whether the job requires only a few minutes, a month, or the full time of a large staff, the individual or department must be given the necessary authority and support, as well as training, to achieve proper results.

In my opinion, the proper place for this function is as a part of the Engineering Department or its counterpart in those industries where such de-

partments are not included in the organizational set-up. It must be recognized that members of the staff of this department are technical specialists in their own right, and that the day is past when the functions of packaging and packing can be relegated to the shipping clerk.

The scope of the problem is broad. To make a real contribution to damage claims reduction, the shipper must:

1. Set up packing as a major function which can undo all other efforts if its importance is not recognized.
2. Design his product so it can be packed and shipped safely. This means he must have real cooperation between engineering or product development groups and the packing function.
3. Pack to conform to carrier rules.
4. Pack so that the product will carry safely, recognizing the peculiar hazards of his product and distribution scheme.
5. Purchase containers from responsible, technically competent suppliers.
6. Use sound practices in handling and warehousing packed merchandise.
7. Load containers properly into cars which have been carefully prepared to carry them.
8. Recognize that multiple hazards, i.e., combinations of more than one hazard, are generally found when severe loss and damage are encountered. Usually, contributory negligence of the shipper is at the bottom of such multiple-hazard conditions. If you take care of your part of the job, your shipments will often be able to ride out the other hazards they encounter during distribution which are beyond your personal control.

From an address by W. B. Lincoln, Jr., before the Tenth Annual Forum of the Packaging Institute, Inc., New York.

AMA PACKAGING CONFERENCE AND EXPOSITION

A packaging conference and exposition will be held by the American Management Association on Tuesday, Wednesday, Thursday, and Friday, May 10-13 at The Auditorium, Atlantic City, N. J.

Financial Management

The Future Trend of Interest Rates

By MARCUS NADLER *

THE future trend of interest rates cannot be studied in a vacuum. One must take into account not only the supply and demand factors which have a direct bearing on the rates of interest but also the policy of the government and the monetary authorities, and the position of the U. S. Treasury.

The importance of government policy was clearly indicated last year, when the Reserve Banks bought several billion dollars of government bonds in order to prevent prices from declining below the peg set by the monetary authorities. In so doing the Reserve Banks not only kept government bonds at a steady level but also furnished institutional investors other than commercial banks with huge sums which were invested in other obligations and thus, by increasing the supply of funds, prevented a further increase in interest rates on high-grade corporate bonds.

It is immaterial for our purposes whether such a policy is sound or unsound. It is more important to inquire whether this policy will continue to be followed by the monetary authorities. In his economic report presented to Congress on January 7, President Truman said: "The public debt will continue to be managed in a manner that will make a maximum contribution to the stability of the economy. An important factor in this program will continue to be the maintenance of stability in the government bond market."

On this point, the *Annual Economic Review* by the Council of Economic Advisers, issued in January, 1949,

says, "It would be a serious error to introduce new elements of uncertainty and possible financial disturbances which would follow a change of the policy with respect to the support of bond prices."

In analyzing the future trend of interest rates it may therefore be taken for granted that the money market will continue to be managed and that government bonds will continue to be pegged, although at what rate nobody can guess. It may also be taken for granted that there will be no return to a rigid gold standard. The movement of gold, therefore, will not, as it did in the period prior to 1931, exercise considerable influence on money market conditions in the United States.

The supply of and demand for equity capital also exerts a substantial influence on the money market. As a general rule, corporations desire a certain relationship between equity capital and debt. Where a corporation is able to increase its equity capital either through the sale of shares in the open market or by plowing back earnings, its willingness to incur additional bonded indebtedness is increased. Events during the last three years have shown that it is not easy to sell large volumes of equities in the open market. In addition, the indications are that net earnings of corporations during 1949 will be smaller than in 1948, especially if new corporate taxes are imposed. The ability of corporations to plow back earnings will therefore decrease unless managements should be willing

*From an address delivered at the 1949 Finance Conference of the American Management Association.

to reduce dividends below 1948 levels. This in itself should put a damper on the demand for bonded capital.

The supply of capital seeking an outlet in the form of bonds and mortgages during 1949 should continue at a high level. Liquid savings of individuals during the third quarter of 1948, as reported by the Securities and Exchange Commission, amounted to \$3.1 billion as compared with \$0.6 billion during the second quarter. A moderate decline in the cost of living should further stimulate individual savings. Moreover, the savings of many people have become institutionalized through insurance companies and pension plans.

The volume of insurance sold during 1949 is bound to be large. The standard of living of many families in the United States has increased, thus leading to larger sales of insurance. The continuing high cost of living has also induced many individuals to increase their insurance protection. Group insurance plans have been adopted by a large number of corporations and there is no reason to believe this tendency will decline. Pension plans are economically sound and socially desirable and it may be expected that they will be established by an increasing number of corporations, which means further institutionalization of the savings of individuals.

Funds accruing to insurance companies from the sale of life insurance or to trustees from the adoption of pension plans as a general rule seek an outlet in bonds and in mortgages. The volume of mortgages acquired in recent years by institutional investors has shown a material increase. Almost all recently acquired mortgages, however, carry amortization provisions. This means a constant repayment of outstanding debt, which will seek an out-

let in new securities and new mortgages.

The same applies to bonds offered during the past few years, practically all of which carry sinking fund provisions. Many preferred stocks also carry sinking fund provisions. As a result of this policy, there will be a larger repayment of debt arising out of contractual obligations and the sums so realized will have to be reinvested.

Another important source of funds to business concerns will be the increased depreciation on plant and equipment constructed during and since the war, which will be much greater than those obtained from plant and equipment acquired prior to 1941. This again will put substantial sums at the disposal of corporations and reduce the necessity for obtaining new funds to replace obsolete machinery and equipment. It may therefore be concluded that the supply of capital seeking an outlet in bonds and mortgages is bound to be considerable.

The demand for capital in the form of bonds and mortgages should also be substantial. During 1949, however, one may expect certain changes in the composition of the sources of such demand. The demand for capital by corporations for modernization and acquisition of new plant and equipment is expected to be somewhat smaller. Moreover, should Congress vote a substantial increase in corporate taxes, one may expect an even greater decline in capital expenditures by corporations. The demand for mortgage money for the purpose of financing private construction, both housing and commercial, is also expected to decline from the high level of 1948. This decrease, however, should be counteracted by an increase in the demand for mortgages on publicly financed or subsidized housing. Whether or not the demand for tax-

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exempt securities in 1949 will be as large as was the case in 1948 is not easy to say.

On the basis of the foregoing, therefore, it may be concluded that, even eliminating the great influence that will be exercised by the monetary authorities, there will be no material change in money rates during 1949.

The policy of the Treasury has an important bearing on the demand and supply of capital, and hence on money rates. When the legislative accounts of the Treasury are balanced, Treasury agencies are in a position to use their surplus of revenues over expenditures to buy long-term government obligations held by private investors and by so doing to furnish them with sums that can be invested elsewhere. Treasury influence is even greater when the legislative budget shows a surplus and the Treasury uses it to redeem obligations held by others than the commercial and Reserve banks.

If the surplus of the Treasury is used to redeem government obligations held by the commercial banks, this leads to a reduction in the total volume of deposits but increases excess reserve balances; when utilized to redeem maturing obligations held by the Federal Reserve Banks, it leads to a reduction in deposits as well as reserve balances and thus diminishes the ability of the banks to lend and invest.

Similarly, when the supply of bonds on the market does not meet the demand, the agencies of the government are in a position to sell considerable amounts of long-term government obligations to institutional investors and thus prevent too drastic a decline in yields on high-grade bonds. This actually occurred during the greater part of 1947.

When the Treasury has a deficit which is not larger than the excess receipts over expenditures of the trust

funds, it does not have to offer new securities in the market, which also affects the supply of bonds. If the Treasury has a cash deficit and has to obtain additional funds from the market, it can influence the money and capital markets materially by the type of security it offers, i.e., long-term bonds non-bank-eligible, or short-term eligible obligations which will be acquired primarily by the commercial banks.

It is therefore evident that the Treasury can and does exercise a considerable influence on the money and capital markets. It can increase the supply of funds as well as reduce it, and by fixing the rate of interest or maturity of the obligations which it offers, can determine whether they will be bought by commercial banks or by institutional investors.

The policy of the government on mortgage guarantees as well as the policy of the Federal Housing Authority and other lending and guaranteeing agencies also exert a great influence on the demand for capital and mortgages. Many mortgage loans have been made by institutional investors during the past few years only because they were insured by the Federal Housing Authority or guaranteed by some other agency of the government. Without such guarantees, it is evident that these mortgages would not have been acquired by investors.

The Policies of the Reserve Authorities. During 1948 the money and capital markets were primarily under the influence of the policies followed by the Reserve authorities. The supply of capital, short-term or long-term, can be increased or decreased by the activities of the Reserve authorities. This was conclusively proved during the war, when the huge demands for capital by the government were to a large extent met through the commercial banks,

which were enabled to absorb large amounts of newly issued government securities because of the open-market operations of the Reserve Banks. Should the government for some reason or other again be in need of huge sums beyond its revenue, one may take it for granted that the wartime policies of the Reserve authorities will be repeated.

Moreover, it may be assumed with a fair degree of certainty that the compensatory budget system will be followed by the government in the future. Should business activity and employment decline, one may expect that the budget will show a deficit, that reserve requirements will be lowered, and that the banks will thus be enabled to acquire large amounts of government obligations. Again, it is immaterial whether this policy is sound or unsound. It is sufficient to recognize that the powers of the Reserve authorities to influence the money market are very great and that they have not hesitated to use them.

As far as the future policy of the Reserve authorities is concerned, one is safe in making the following statements:

1. Government bonds will remain pegged.
2. This will enable holders of government obligations to sell them without ma-

terial loss and to invest in other securities, thus increasing the supply of funds available for investment.

3. It is fairly certain that Congress will grant new powers over the money market to the Board of Governors of the Federal Reserve System. Should the forces of inflation again become accentuated and the spiral of wages and prices be renewed, it may be assumed that the new powers will be used.

4. If business activity should decline and the forces of deflation become more pronounced than is now envisaged, one may expect that the Reserve Board will not hesitate to lower reserve requirements. This in turn will broaden the credit base of the country and increase the ability of the banks to absorb short- and medium-term obligations not only of the Federal Government but also of states, municipalities and corporations.

5. A decline in business activity of proportions greater than is expected at present will by itself reduce the demand for capital and create a serious investment problem for the large institutional investors. In this event it may be expected that the Reserve Banks will sell some long-term government obligations to institutional investors and acquire short-term obligations. It may also be anticipated that Treasury agencies will sell long-term government obligations to institutional investors in order to prevent a sharp decline in yields on government obligations.

6. The $2\frac{1}{2}$ -per-cent rate on long-term government obligations, which may be taken for granted, sets a pattern for rates on high-grade corporate obligations. In view of the fact that Congress has been asked to impose new taxes, it is hard to believe that the monetary authorities will be willing to permit a further increase in rates on government obligations which will further increase the debt burden of the government.

The New Look in Pension Regulations

THE NEW regulations relating to the deductibility by employers of contributions to pension and profit-sharing plans (T.D. 5666) became effective December 7, 1948. Like the "New Look" in feminine fashions, these regulations are longer, require more material, reveal less, and are definitely more subtle. Seriously, though,

they reflect marked improvement in many respects over existing provisions. Highlighted here are some of the problems which may confront the employer as a result of these new regulations.

Do you have a qualified pension or annuity plan?

If so, you will find that, on the whole, the nature of the information which the

Internal Revenue Bureau requires you to file annually with your income tax return is much clearer than that previously specified, and is more relevant to the problems in which the Bureau is interested. Some strides have been made toward curtailing the quantity of information required: (1) After the new information for the top 25 employees has been filed for two consecutive years, the tabulation thereafter need show such information only with respect to employees who own, directly or indirectly, more than 5 per cent of voting stock. (2) If all the information required by the regulations cannot reasonably be filed at the time the annual tax return is filed, most of the items may be filed within a period of 12 months after the close of the taxable year. (3) The Commissioner of Internal Revenue may waive the filing of all the specified information if he finds it unnecessary in a particular case.

Do you have a plan similar to a union welfare fund?

In other words, does your pension plan provide substantial benefits for such factors as dismissal pay, unemployment, sickness, accident, hospitalization, medical expenses?

Well, if you have such a plan, both you and the union may be in for a surprise! Your contributions (even those attributable to the pension costs) are no longer deductible under Section 23(p). Instead, they are deductible under Section 23(a) as ordinary and necessary business expenses. That gives you a temporary advantage since the technical limitations of Section 23(p) are inapplicable. However, the fund or trust no longer qualifies under Section 165. Therefore, any income it receives is taxable to it (unless it can qualify as one of the exempt organizations described in Section 101—which is doubtful). Even your contribution

to the fund may be regarded as taxable income to it!

This means that the trust or fund will require additional contributions (and guess from whom!) to be able to meet its liabilities. In the long run, therefore, this amendment to the regulations may result in substantially increased cost to you.

Do you have an end-of-the-year bonus plan?

In many so-called "end-of-year" bonus plans, the directors, at the close of the year, fix the employees' bonuses based on the year's profits, the particular employee's contribution thereto, etc., and make payment shortly after the close of the year. Up to now, the Bureau has never challenged the right of the employer on the accrual basis to deduct the amount of the bonus in the year it was voted and the right of the employee to include that bonus in the year of receipt. So long as this practice is maintained consistently, no adverse effects on the revenue would seem possible.

However, the revised regulations cast doubt on the propriety of this practice. It is now arguable that such a bonus plan is a "method having the effect of a plan deferring the receipt of compensation." (Section 29.23 (p)-1). Section 23 (p)(1)(D), therefore, becomes applicable. This means that, though the employer is on the accrual basis for tax purposes, he must take his deduction only in the year in which the employee includes the bonus in taxable income.

The result is that in the first year of a new plan, either the employer will actually make payment in the year the bonus is voted or the employer will have no deduction in that year—i.e., the year in which the bonus is declared but not paid.

Do you have a pension and a profit-sharing plan?

If you do, the statute limits a deduction for both plans to 25 per cent of the compensation otherwise paid to the employees who are beneficiaries of both plans. Up to now, considerable doubt existed as to how this 25 per cent limitation should be applied.

One construction would be to apply the 25 per cent ceiling only where and to the extent that both plans are contemporaneous so far as coverage is concerned. In that case, the employer would get his deduction for the full pension cost of those employees covered by the pension plan only, and *not* by the profit-sharing plan. He would also get his deduction (up to 15 per cent of compensation) for those em-

ployees covered by the profit-sharing plan only, and *not* by the pension plan. And the 25 per cent limitation would be applicable only to the costs attributable to employees who participate in *both* plans.

The new regulations adopt a more liberal rule. The 25 per cent limitation is applied to the compensation of *all* employees "who, in the year, are beneficiaries of funds accumulated under *one* or more of the overlapping trusts or plans" (Section 29.23 (p)-12). Thus even if only one employee is common to both plans, the compensation of all the employees in both plans is used as a base.

By HERMAN C. BIEGEL. *Central Hanover Pension Bulletin*, December, 1948, p. 2:2.

Company Practices in Allocating Sales Costs

ACCOUNTING procedures differ, of course, from company to company. Nevertheless, a definite pattern with respect to sales cost allocation emerges from the findings of a recent Dartnell survey of the procedures of 103 organizations. Results of the study point to the following conclusions:

1. Average outlay for selling expense is about 10 per cent of gross sales. (More than a third of the businesses surveyed, however, spend less than this amount. Only 5 per cent allow more than 26 per cent of their gross sales for selling costs.)

2. More than half of business organizations spend 2 per cent or less of gross sales on advertising.

3. Salesmen's pay is the only budget item which every company respondent charges to selling cost. On every other business cost related to selling, there is more or less disagreement as to where the item is to be charged.

Salesmen's and sales executives' compensation and expenses are most regularly credited to sales expense. Salesmen's samples and sales executives' bonuses run considerably lower than other items in this category, largely perhaps because many firms do not have these items on their budgets.

A few companies charge in full top management's pay and expenses to selling expense. A considerable portion of firms which contributed to the study, however, indicated they credited a portion of their top management costs to selling. While partial allotment of this item runs as high as 75 per cent, the typical amount is about 30 per cent.

There is considerable difference of opinion on where headquarters overhead should be charged. Almost as many firms charge this item in part as charge the entire amount to selling expense. Only 33 per cent regard it as an expense of selling at all.

Advertising and display expenses are charged to selling in most business operations.

—Dartnell Sales Methods Research Service (Dartnell Corporation, Chicago)

The Probable Course of Taxation

By ELLSWORTH C. ALVORD *

PREDICTION of the future course of economic events, even if confined to the year 1949, is fraught with uncertainties. There is support for almost any conclusion, and no conclusion can carry too much weight until we know more definitely what the Congress will do and what the public reaction will be. With these important reservations in mind, however, I should like to summarize some of my views on the present outlook.

If I were forced to hazard a guess about the most important economic question facing us all, I would say that I do not expect an abrupt end to the era of apparent prosperity. However, the state of industrial finance from private sources is dark. The day of the private financing of industry will grow dimmer. Equity financing, wherever it has not disappeared, will fade further. Long-term loans from investors, investment bankers, banks and insurance companies will decline as demand declines and risk increases. Corporate funds available for capital expenditures will be inadequate and will show signs of strain. If private financing proves impossible, our existing government policy of credit on fairly easy terms will be extended.

The state of government spending, from the point of view of the spender, is excellent. Federal, state and local governments are asking for increased spending authority. The Federal Government is embarked upon a spending program unprecedented in time of war or peace. It will spend no less than \$45 billion during the next fiscal year—\$6.2 billion of which are based upon future legislation. Substantial reduc-

tions in many budget items have been effected, but the aggregate proposed increase for 1950 is \$8 billion above 1948 and we are promised an ever-increasing program thereafter.

The state of the budget for 1949 is better than one might think. There will be no cash deficit. There will be no legal deficit. There will be no illegal deficit. In short, there will be no deficit. The state of the budget for 1950 is bad—but much better than pictured. Making no adjustments for increased rates of taxation, I believe that there will be no cash deficit. There may be no deficit of any kind, and there need be no deficit of any kind.

But there are more specific questions to be answered. Will there be an "excess" profits tax? In my opinion, for the calendar years 1949 and 1950 the answer is no. What are the prospects of a general sales tax? I do not think there are any. Will tax revisions take into account the need for increased depreciation to meet higher replacement costs? My answer is no. What, then, are the possibilities of more stringent enforcement of undistributed-profits legislation? I personally see no change in our present administrative policies.

A particularly important question is, what will be the increase in basic corporate taxation? Again limiting the answer to the calendar years 1949 and 1950, my feeling is that the basic corporate rates will not be increased for 1950 beyond 45 per cent and there may be no increase for 1949. The question then arises, what are the prospects for increases in individual tax rates for 1949 and 1950?

As I see it, there will be no increase

*From an address delivered at the 1949 Finance Conference of the American Management Association.

in the rates applicable to the lower income brackets—which we have had defined for us recently as incomes under \$6,000 a year. Nor do I expect that there will be any increase in individual rates for the intermediate and upper brackets for 1949. For 1950, however, the rates upon intermediate and upper-bracket incomes will be increased by substantially the amount of the 1948 percentage reductions. On the other hand, there will be no change in the so-called “split income” principle and there will be no increase in the rates applicable to capital gains.

The state of taxation is terrible. And

it will get worse. But it will not get so bad as some expect for this year or next year. But in any event, there is still time to let our views be known—and we should make them known before it is too late. A dismal picture of tax prospects could be painted but my confidence and my optimism prevent me from doing so. The welfare of our nation commands us to continue to improve, to strengthen, to protect and to preserve those fundamental rights we cherish and for which we have always fought. As Emerson wrote, “What shall avail the plough or sail, or land or life, if freedom fail?”

Insurance

17 Ways to Reduce the Cost of Fire Insurance

YOU can control the factors that could contribute to the spread of a fire in your plant! This is the principal means by which high insurance rates and large fire losses can be reduced. Most of the conditions known to be fire hazards can be identified in the average industrial plant, and the first step in fire protection is recognition that these hazards do exist, followed by consultation with a qualified fire-protection engineer to have them eliminated.

Here is what can be done to eliminate or minimize some of the potential fire hazards in your plant that may cost you money as long as they continue to exist:

1. *Make Sure That Wiring Is Safe.* All electrical wiring should be installed in accordance with the National Electrical Code. This is a standard of the National Board of Fire Underwriters. Use of slipshod or makeshift wiring

for extensions, non-standard splicing, or poor supporting of wires should never be condoned.

2. *Isolate Paint-Spraying or Brushing Operations.* Confine all paint spraying or brushing other than occasional minor jobs to a specially built enclosure. A 20-foot radius from the enclosure is considered a hazardous area. Locate processes involving open flames well beyond this danger area. Electrical equipment in the area should be protected against vapor concentration. No electrical equipment should be installed inside the enclosure. Keep accumulation of highly flammable residue on interior walls to a minimum.

3. *Dry paint in Safe Areas.* Paint drying should be carried on well outside the hazardous area surrounding painting operations. Ovens and infrared lamps, the most common drying equipment, require adequate ventilation. Oven explosions are frequent and

their direct property damage is considerable, as is also the threat to employee safety.

4. *Safeguard Heat-Treating Operations.* Equipment for heat-treating requires proper safety controls. Adequate clearance also must be given from combustible materials.

5. *Keep Oil Quench Tanks Cool.* In installing tanks, care must be used in providing for recirculation of oil to keep it from reaching ignitable temperatures. A hood and vent arrangement is essential to withdraw vapors from the areas surrounding the oil quenching operation.

6. *Use Safe Cutting Oils.* Oils should be selected to present the lowest possible fire hazard. Machines should be cleaned regularly and kept free of oil splatterings and accumulations. Metal drip pans also should be cleaned frequently.

7. *Provide Safe Rag Containers.* Oil- paint- or grease-soaked rags should be deposited in covered safety containers at convenient plant locations.

8. *Limit Storage of Flammable Liquids.* Quantities stored inside a building should not exceed more than one day's supply. Keep in approved, marked containers. Storage tanks outside the building are preferably buried and provided with standard venting, filling and pump arrangements. No underground storage should be undertaken where excessive dampness or high water levels may prevail.

9. *Supervise Welding Operations Closely.* Welding should never be done on the spot except where equipment cannot be removed. Make sure of adequate supervision for all on-the-job welding and see that fire extinguishers are available. Thoroughly ventilate areas containing flammable liquid vapors, gases or combustible dusts and remove all combustible materials. See

that permanent welding installations meet National Board of Fire Underwriters standards.

10. *Watch Belts and Moving Parts.* Friction can be kept to a minimum by a constant check on this equipment. All moving parts should be kept reasonably free of dust, oil or grease accumulations.

11. *Select Proper Storage Areas for Combustible Materials.* Atmospheric conditions and ventilation must be good, since spontaneous ignition of many materials may be caused by chemical or bacteriological action. Maintain well-defined fire aisles. Pile stock so as not to interfere with any automatic sprinkler or equipment operation.

12. *Insist on Good Housekeeping.* Excessive dripping of flammable materials, accumulation of combustible residues, and poor storage arrangements are only a few of the conditions that constitute poor housekeeping. A clean plant is a plant safe from fire and safe for employees as well.

13. *Provide A Suitable Fire Alarm System.* The central station of the proprietary system should be located as far as possible from the hazardous sections of the plant. Tests of the wire circuits should be manually conducted at least every 12 hours. Keep permanent records of the recorded signals. Make periodic tests of any auxiliary circuits to insure positive operation.

14. *Install a Sprinkler System.* Whether wet-pipe, dry-pipe, pre-action or deluge, all sprinkler systems should be provided either with a supervisory central station alarm or a water-flow alarm with an audible outside signal.

15. *Put in First Aid Firefighting Appliances.* A full complement of fire extinguishers should be installed in a plant, charged with whatever materials are best suited to the hazards of the location. Expert opinion is desir-

able as to the proper type of extinguisher, as an improper type may spread a fire.

16. *Organize a Private Fire Brigade.* Fires exceeding the control of extinguishers and sprinkler systems can often be controlled until the municipal fire department arrives by a private brigade composed of well-trained, disciplined employees provided with the necessary apparatus. This also increases employee interest in maintaining a safe plant.

17. *Install Standpipe and Hose Systems.* These systems are effective means for firefighting inside a build-

ing and are an excellent auxiliary to the municipal fire department. They may be used by anyone trained in handling heavy streams.

The installation of any protective device calls for expert advice. In all cases plans and specifications should be submitted to the inspection departments that have jurisdiction. All devices should be approved by independent testing laboratories to insure standardized construction and good workmanship.

By J. R. DEHAVEN. *Factory Management and Maintenance*, December, 1948, p. 112:2.

Pension Costs in Cents Per Hour

THE EMPLOYER who wishes to adopt a pension plan wants information on its probable cost. Though this cost is ordinarily expressed in terms of the employer's total annual contribution, there is growing interest in expressing these costs in terms of "cents-per-hour per individual employee." An estimate of this type is valuable for several reasons: It shows the hourly cost of providing a pension for each participant. It can be understood more readily by employees themselves. It permits direct comparison with other production costs. And finally, it will be found useful at the collective bargaining table.

To illustrate the application of this method, let us assume a plan in which the retirement benefit equals 1 per cent of annual base earnings multiplied by number of years of service. If the standard work year consists of 2,000 hours and the average base pay is \$1 an hour, the annual wage would be \$2,000 and a benefit of 1 per cent would result in a pension credit of \$20

for that year. This is the pension payable annually at normal retirement age for that year's earnings. The cost of providing such a pension depends on the age and sex of the participant, the normal retirement age, and the method of funding.

Let us now assume that normal retirement age is 65. As mentioned above, the pension credit for one year of service would be \$20. The present cost of providing this pension at age 65 (for males at various ages) may be as follows:

Age	Hourly Cost
25	4.21 cents
30	4.70 "
35	5.25 "
40	5.90 "
45	6.69 "
50	7.68 "
55	8.97 "
60	10.76 "

These figures are based on certain assumptions as to mortality of participants, interest earned by the pension funds, with provision for contingencies and expenses.

Any employer who is contemplating

a plan with a retirement age of 65 can use these figures to obtain an approximation of the hourly costs of his plan. All he needs to do is to convert the table to fit his own conditions. Thus, if he proposes to pay future service benefits of $1\frac{1}{2}$ per cent (with base wage and work year remaining the same), the hourly costs given in the table would be increased by one-half. Or, if he proposed to use a 1 per cent benefit, but the average base wage was \$1.60, the hourly costs in the chart would be increased by 60 per cent.

While any employee understands a raise in his hourly rate of pay, he may have difficulty in appreciating the benefits of a pension plan. The comparison of a raise in wages with the benefits of a pension plan may prove interesting. If a wage increase of 10 cents per hour

is considered, it will amount to \$200 per year (still assuming 2,000 hours of work). In the case of an employee who is 35 years old, married, and earning \$2,000 per year, this will net him about \$170 after social security and personal income taxes. If he invested this sum at $2\frac{1}{2}$ per cent interest, the actual return because of taxes would be about $2\frac{1}{10}$ per cent. Thus, in 30 years, the original \$170 would grow to only \$316.16.

If this \$200 raise had been placed in a qualified pension fund at $2\frac{1}{2}$ per cent, in 30 years it would have amounted to \$419.50. For an employee to accumulate \$419.50 without a pension plan, he would need a wage increase of 13.5 cents an hour.

Central Hanover Pension Bulletin, December, 1948, p. 1:2.

Two-Color Safety Plan

A SAFETY color program which involves just two colors—fire red and safety yellow—is one of the by-products of the “daylight” painting scheme adopted in Libbey-Owens-Ford Glass Company factories.

Management had found that in the large plants, which manufacture big sizes of plate glass, fire extinguishers easily reached from the floor were often obscured by tall stacks of glass, boxes, or machinery. Therefore a standard 18-in. circle of fire red, with a white arrow pointing to the equipment and bearing the word “fire” in red, was painted high above every piece of fire-fighting equipment.

The safety yellow is a yellow which has the highest visibility in the color spectrum. It is used for painting all moving objects, such as lift hooks, conveyor baskets, trucks, tractors, and other mobile equipment. Truck traffic lanes are bordered with 6-in. bands of yellow. Doors leading to hazardous areas are cross-hatched, and master control switches, handles, and parts of machinery where safety is paramount, are painted yellow.

—*Factory Management and Maintenance* 12/48

SPRING INSURANCE CONFERENCE

The Spring Insurance Conference of the American Management Association will be held on Thursday and Friday, May 26 and 27, at the Hotel Statler, New York City.

Survey of Books for Executives

ORGANIZATION AND MANAGEMENT. By Chester I. Barnard. Harvard University Press, Cambridge, Mass., 1948. 255 pages. \$4.00.

*Reviewed by Henry E. Niles**

Mr. Barnard deals in this book with the problems of organization and management as they fit into the larger problems of man and society. His approach is not that of the intellectual trying to reason out a logical pattern whereby institutions should be organized or managed. It is an intuitive approach which goes to the heart of situations and brings out essentials as to how groups of individuals actually function together. The book is therefore of interest to sociologists and physiologists as well as to executives.

The volume is a collection of papers written from 1935 to 1946 when Mr. Barnard was Vice President and later President of the New Jersey Bell Telephone Company. They range from essays on personnel relations and leadership to such broad subjects as planning for world government. The unifying factor in the book is that every essay has to do with man in his relation to other men working or living in the same organization, either formal or informal. And the main emphasis is upon the problem of organizational leadership, especially upon the means of developing the individual in the organization and of fostering in him the will to cooperate. "In a world that increasingly stresses organization, schemes, policies, mass methods," he observes, "it is good and practical to have persistently in mind that the key to dynamic effort in all industry is the individual and his willingness to develop in it."

In the essay on Personnel Relations, written in 1935, Mr. Barnard stresses human relations and the importance of individual consideration. He attacks the false assumption that economic motives determine practically all business decisions. "Prestige, competitive reputation, social philosophy, social standing, philanthropic interest, combativeness, love of intrigue, dislike of friction, technical interest, Napoleonic dreams, love of accomplishing useful things, desire for regard of employees, love of publicity, fear of publicity—a long catalogue of non-economic motives actually condition the management of business, and nothing but the balance sheet keeps these non-economic motives from running wild. Yet without all these incentives I think most business would be a lifeless failure. There is not enough vitality in dollars to keep business running

*Vice President, The Baltimore Life Insurance Company.

on any such scale as we experience it, nor are the things which can be directly purchased with money an adequate incentive." The comparison of the advantages of collective cooperation and collective bargaining (pp. 19-20) might well be considered by those who believe that either the Wagner Act or the Taft-Hartley Act provides a satisfactory arrangement for management-labor relations.

The essay on the Dilemmas of Leadership in the Democratic Process points out that "the democratic method is one of decision by partial consent, whereas cooperative action requires substantially complete conformance . . ." and while "cooperation means approximate unanimity of will, the democratic process means decision by division . . . by majorities and usually by small pluralities of those entitled to vote." If democracy is to be successful, we need leaders with a very high order of the ability to gain true consent and cooperation toward the common good—a leadership that will get us to expand our minds, our hearts, and our will.

The essay on the Riot of the Unemployed at Trenton shows a business man successfully solving a sociological problem. Mr. Barnard had to deal with representatives of the unemployed under circumstances which he says required much knowledge and much hard thought preceding the conference but "Nevertheless at the time of action it was and could have been used only in an intuitive way (not deliberately or consciously)". He had to sense what was really on the mind of the men. "Men often cannot talk about what they most want, even when they are conscious of it. They could not say either to me or even to each other, 'I am starving to be recognized as a man, as a citizen, as a part of the community.' To do so would itself destroy self-respect and would be futile as well. In this case, as in countless others, men talk and fight about what they do not want, because they must talk about something, and they even convince themselves that they believe what they say."

It is impossible in a brief review to more than touch upon some of the main points in the essay on Planning for World Government. Historically the initiators of action have often found that what they started led to ends diametrically opposed to what they sought. Should we seek a "lateral organization" (federation of national states) with "its relative freedom, flexibility, adaptability, progressiveness, competition, friction, and combativeness" or a "scalar organization" (world superstate) with its "lack of

freedom, security, emphasis upon official status, conservatism, power, and totalitarian orientation"? What will be the aims of world society through several generations? How can an informal world organization be built up as the indispensable base for any stable formal world organization?

The appendix on planning for world government proves mathematically the practical impossibility of reasoning correctly what would happen in a complex situation when one factor is allowed to vary but hypothetically "other things remain equal."

The essay on Freedom Under Planning deals with a major social problem of our time. "The fundamental question is the desire for freedom versus reluctance towards responsibility We cannot have freedom without order. We apparently cannot have order and all our freedom too."

Executives need broad interests and a wide understanding, superior intellectual abilities, and, most important, understanding in the field of human relations and an appreciation of the importance and inevitability of non-logical behavior on the part of human beings. The executive needs to learn rational behavior towards the unknown and the unknowable, because he will frequently be faced by them. "In everyday affairs, there are innumerable situations whose characteristics are not explainable by the most thorough analysis." For instance, a thorough knowledge of hydrogen and of oxygen would not lead one to much knowledge of water.

The essay on Status Systems shows how important the differentiation of positions may be toward accomplishing the organization's goal and in developing the individuality of those working in it and encouraging their will to cooperate.

Successful management persons are likely to find in this book much that confirms what they are already doing, perhaps without deliberate, conscious thought on the subject. They may also find that the book broadens their outlook to include some of the world management problems which may, in the long run, be far more important than next year's balance sheet.

THE COMPTROLLER: HIS FUNCTIONS AND ORGANIZATION. By J. Hugh Jackson. Harvard University Press, Cambridge, Mass., 1948. 97 pages. \$2.00.

*Reviewed by Christian E. Jarchow**

The Comptroller: His Functions and Organization is a publication of the lectures given by J. Hugh Jackson as Dickinson Lecturer at the Harvard School of Business Administration.

Though there is extensive literature available on accounting topics and on the techni-

cal aspects of accounting and financial problems, little has been written on the subject of comptrollership. Dean Jackson's book, therefore, is timely and fills an important need.

Dean Jackson is eminently qualified to present this subject. His experience includes the public accounting field, professorship at Harvard, acting comptroller of Stanford University, professor of accounting and dean of the Graduate School of Business, Stanford University. He has also done considerable research work on problems of top management and has taken particular interest in modern comptrollership.

This book is a comparatively small volume of 97 pages, but is nevertheless a complete treatise of the important aspects of the development of comptrollership, its functions, the organization of the comptroller's department, and the personal qualities which he should possess.

The position of comptroller in business organizations is of relatively recent origin. The phenomenal growth of large American corporations made the establishment of this position indispensable to proper corporate organization. Some of the underlying causes for the changes in organization leading to comptrollership development were: (a) the increasing necessity for specialization in the accounting, auditing, and tax functions; and (b) the need for preserving "checks and balances" of corporate mechanism and strengthening controls of expenditures, costs, and profits.

Dean Jackson sets out in the chapter on "The Comptrollership Functions" the basic responsibilities of the comptroller, including the accounting, auditing, tax, and interpretive functions, or—expressed in another way—the investigative, analytical, suggestive, and advisory functions.

In his chapter on "Organization for Comptrollership," he points out the importance of the comptroller being a part of the general management concerned with the activities and policies of the business as a whole; that he must not be lost in the detail of his department, but must use the information which it makes available to further the activities and better the achievements of the company. The comptroller who participates in the formulation of policies is utilizing his experience and intimate knowledge of company operations to best advantage.

The author describes typical forms of organization in various types of business, the place of the comptroller in the management organization, and the needs of management for accounting and statistical service. He sets out typical by-law provisions and management regulations regarding the comptroller and quotes from the by-laws of some 12 representative companies. He also describes the growing trend of having the

*Vice President and Comptroller, International Harvester Company, Chicago.

comptroller responsible to the board of directors for adequate accounting procedure and records, and responsible to the president or chairman of the board for the administration of his office and for day-to-day problems.

In a chapter on personal qualities in comptrollership, he sets out the need for broad training, for the development of executive ability, and so on.

The appendix includes organization charts of 11 representative U. S. companies, indicating titles, functional responsibilities, etc. There is also set out in considerable detail a description of the comptroller's organization of Standard Oil Company of California. This includes such items as the functions, objectives, and responsibilities of the comptroller and his staff, types of reports to be prepared, auditing requirements, preparation of budgets, analyses and statistics, as well as relationship to other departments, limits of authority, etc.

Dean Jackson's book reflects the current thinking and practices of a representative group of American business firms. It should be of interest to advanced accounting students in colleges of commerce, to comptrollers and their assistants, to financial officers and other business men, and to public accountants. It should enable corporate executives to obtain a better understanding of the role of the comptroller and the part he can play in strengthening modern management.

PROCESSES OF ORGANIZATION AND MANAGEMENT. Edited by Catheryn Seckler-Hudson. The Public Affairs Press, Washington, D. C., 1948. 296 pages. \$3.75.

*Reviewed by Pearl F. Clark**

"Old as democracy is," wrote Woodrow Wilson in 1886, "its organization on a basis of modern ideas and conditions is still an unaccomplished work."

Mr. Wilson would have been impressed and heartened if he could have looked over the 23 papers which follow his in this volume, for he would have realized how in these 60-odd years the concept of democracy in organization and management has been brought down from the realm of the academic and philosophical into the daily work and thinking of practical men in education, industry, and government.

Another who would have been gratified by this progressive record of democracy in action is Mary Parker Follett, whose *Principles of Organization*, quoted in the preface, have become classic.

Both Mr. Wilson and Miss Follett would have been vitally interested, I think, in

*Mrs. Wallace Clark, Wallace Clark & Company, New York.

"Administrative Planning in the Federal Government" as described by Bernard Galdieux in 1939, when he was Executive Assistant to the Secretary of Commerce; in "Principles of the Emerging Science of Democratic Administration," by Hugh Shafer, of the University of Oregon; and in Donald Stone's paper presented at the recent Stockholm Congress: "Application of Scientific Management Principles to International Administration."

They would have liked the AMA's "Ten Commandments of Good Organization" and Henry Niles' "Folklore of Organization"; and would have laughed at the latter's "Folklore of the Big Man."

No history of scientific management will be complete without Dr. Harlow Person's "The Genius of Frederick Taylor" or his "Planned Execution—The Issue of Scientific Management."

No record of improved management in government can omit Harry Fite's "How to Simplify Municipal Work" or Paul Appleby's two papers on Public Administration.

Any future textbooks on the principles and processes of organization and management must include a substantial number of the papers so judiciously selected and appraised by the editor of this volume. If we could look forward another 60 years, we would doubtless find some of them as enduring as those of Mr. Wilson and Miss Follett. Among the candidates for that Hall of Fame are such familiar names as Russell Robb, Marshall Dimock, Marvin Bower, Lounsbury Fish, John Pfiffner, John Joynt, Glen Cleeton—and the anonymous Bureau of the Budget.

Sharing the future limelight with some of these papers should be the journals and the editors responsible for their publication—conspicuously, *Advanced Management*, *Modern Management*, *THE MANAGEMENT REVIEW*, and *PERSONNEL*.

But excellent though these papers are, important as is their preservation and study, classic though they may become—no doubt for these very reasons this reviewer feels the need, recurring through many years, that this science of management, this American know-how, be translated into simpler terms.

True, engineers, technicians, administrators, and educators must speak and write in their own ways out of their individual experience. What is needed is some competent interpreter to take what they have said and put it into common terms. Everywhere there are people—in our own country as well as the rest of the world—who need desperately to understand these democratic techniques; who need to be told over and over, in their own language, how to take hold of them and apply them.

In this body of learning that is emerging from such unexpected places as government offices and factory floors, there is something vital to all people of the future.

PUBLICATIONS RECEIVED

(Please order books directly from publishers)

GENERAL

- RESOLVING SOCIAL CONFLICTS.** By Kurt Lewin. Harper & Brothers, New York, 1948. 230 pages. \$3.50.
- BATTLEFRONTS OF INDUSTRY.** By. D. O. Woodbury. John Wiley & Sons, Inc., New York, 1948. 342 pages. \$3.50.
- TESTS FOR TRUTH: *Truth vs. Myths About Profit.*** By G. H. Cless, Jr. The Eddy-Rucker-Nickels Company, Harvard Sq., Cambridge, Mass., 1948. 28 pages. 50 cents.
- THE DYNAMIC FACTOR IN MANAGEMENT.** By H. A. Harvey *et al.* Whitcombe & Tombs Pty. Ltd., 332 Collins Street, Melbourne, C.I, Australia, 1948. 222 pages. 16s.
- PROCEEDINGS OF THE FIRST ANNUAL INDUSTRIAL MANAGEMENT CONFERENCE.** The University of Missouri, Columbia, Missouri, 1948. 168 pages.
- MAJOR PROBLEMS OF UNITED STATES FOREIGN POLICY—1948-49: *A Study Guide.*** The Brookings Institution, Washington 6, D. C. 248 pages. \$1.50, paper bound; \$3.00, cloth bound.
- THE UNITED STATES AND FOREIGN INVESTMENT PROBLEMS.** By C. Lewis. The Brookings Institution, Washington, D. C., 1948. 360 pages. \$4.00.
- FREE SPEECH AND ITS RELATION TO SELF-GOVERNMENT.** By A. Meiklejohn. Harper & Brothers, New York, 1948. 108 pages. \$2.00.
- REPORT ON THE GREEKS.** By Frank Smothers *et al.* The Twentieth Century Fund, New York, 1948. 226 pages. \$2.50.
- PUBLIC ADMINISTRATION ORGANIZATIONS: *A Directory of Unofficial Organizations in the United States and Canada.*** 1948. Public Administration Clearing House, Chicago. 216 pages. \$3.50.
- A GUIDE TO TECHNICAL WRITING.** By W. G. Crouch and R. L. Zetler. The Ronald Press Company, New York, 1948. 401 pages. \$4.00.
- THE HISTORY OF BASIC METALS PRICE CONTROL IN WORLD WAR II.** By R. F. Campbell. Columbia University Press, New York, 1948. 264 pages. \$3.25.
- COOPERATIVES IN THE PETROLEUM INDUSTRY: *Parts One, Two, Three, and Four.*** Petroleum Industry Research Foundation, 122 East 42 St., New York, 1947. \$3.00.
- A NATIONAL POLICY FOR THE OIL INDUSTRY.** By E. V. Rostow. Yale University Press, New Haven, Conn., 1948. 174 pages. \$2.50.
- U. S. REGIONAL INDUSTRY.** By G. W. Parker. Available from the author at: 230 Park Ave., New York 17, N. Y., 1948. 30 pages. \$2.00.
- AN INTRODUCTION TO BUSINESS.** Rinehart & Company, New York, 1948. Revised edition. 715 pages. \$4.75.
- GUIDE TO BUSINESS HISTORY.** By H. M. Larson. Harvard University Press, Cambridge, Mass., 1948. 1,182 pages. \$12.00.
- BUSINESS INCORPORATIONS IN THE UNITED STATES, 1800-1943.** By G. H. Evans, Jr. National Bureau of Economic Research, Inc., New York, 1948. 184 pages. \$6.00.
- BUSINESS PERIODICALS.** By C. W. Humphrey and I. C. Hypps. Office of Education, Federal Security Agency, Washington 25, D. C., 1948. 16 pages.
- BUSINESS LAW: *With Social and Personal Applications.*** By R. O. Skar and B. W. Palmer. McGraw-Hill Book Company, Inc., New York, 1948. Second edition (revised). 484 pages. \$3.00.
- HOW TO TAKE, KEEP AND USE NOTES.** By J. Edwin Holmstrom. Aslib, 52 Bloomsbury St., London, W.C.1, 1947. 32 pages. 2s.
- THE COLLEGE CURRICULUM IN HOSPITAL ADMINISTRATION.** Physicians' Record Company, Chicago, 1948. 108 pages. \$2.00.

ECONOMICS

- WHO GETS HOW MUCH FOR DOING WHAT IN AMERICA.** By Edward A. Keller, C.S.C., *et al.* American Economic Foundation, 295 Madison Ave., New York, 1948. 32 pages. \$1.00.
- HOUSING AND EMPLOYMENT.** International Labor Office, 1825 Jefferson Place, Washington 6, D. C., 1948. 75 cents.
- COMPARATIVE ECONOMIC SYSTEMS.** By W. N. Loucks and J. W. Hoot. Harper & Brothers, New York, 1948. Third edition (revised). 836 pages. \$5.00.

ECONOMIC SYSTEMS. By H. G. Moulton. The Brookings Institution, Washington, D. C., 1948. 56 pages. 50 cents.

PRICE ECONOMICS. By R. B. Pettengill. The Ronald Press Company, New York, 1948. 484 pages. \$4.50.

PROBLEMS IN PRICE CONTROL: Stabilization Subsidies. Policy Analysis Branch, Office of Temporary Controls. Available from Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 242 pages. 45 cents.

THE STRUCTURE OF POSTWAR PRICES. By F. C. Mills. National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y., 1948. 68 pages. 75 cents.

ECONOMICS OF SURETYSHIP. By Jules Backman. The Surety Association of America, 60 John St., New York, N. Y. 44 pages. Gratis.

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INDUSTRY-WIDE BARGAINING. By Leo Wolman. The Foundation for Economic Education, Irvington-on-Hudson, New York, 1948. 64 pages.

CLASSIFIED PROVISIONS OF THIRTY-SEVEN COLLECTIVE BARGAINING AGREEMENTS FOR WAGE EARNERS IN THE IRON AND STEEL INDUSTRY. American Iron and Steel Institute, 350 Fifth Ave., New York 1, N. Y., 1948. 746 pages. Gratis.

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PERSONNEL MANAGEMENT

THE CANTEN WORKER'S MANUAL: A Concise Guide to Good Service. By A. D. Lacy. The Croft Press, Farningham, Kent, England. 29 pages. 30 cents plus postage.

WORKING CONDITIONS IN THE BRICK, TILE AND PIPE INDUSTRY. Department of Labour and National Service, Century Building, 125 Swanston St., Melbourne, Australia, 1948. 52 pages. 4/-.

EMPLOYEE-RATING. Department of Labour and National Service, Century Building, 125 Swanston St., Melbourne, Australia, 1948. 46 pages. 1/-.

YOUR OVERTIME PROBLEM UNDER THE WAGE-HOUR ACT. The Bureau of National Affairs, Inc., 1231 Twenty-fourth St., N. W., Washington 7, D. C., 1948. 79 pages plus Appendices. \$5.00.

WAGE RATES AND HOURS OF LABOUR IN CANADA, 1947. Research and Statistics Branch, Department of Labour, Ottawa, Canada, 1948. 102 pages.

MARKETING AND SALES MANAGEMENT

SELLING TO AND THROUGH THE NEW DEPARTMENT STORE. By E. B. Weiss. Funk & Wagnalls Company, New York, 1948. 316 pages. \$5.00.

ROBINSON-PATMAN ACT SYMPOSIUM—1948 EDITION. Commerce Clearing House, Inc., Chicago, 1948. 158 pages. \$2.00.

AUTOMOBILE EXPENSE ALLOWANCES AND COSTS IN 1946. Policyholders Service Bureau, Metropolitan Life Insurance Company, New York, 1948. 16 pages. Issued to Metropolitan group policyholders; limited supply available to fill requests of other executives.

BONNELL'S PACKING AND SHIPPING DIRECTORY, JULY, 1948. Bonnell Publications, Inc., Plainfield, N. J. 50 pages. \$1.00.

CANADIAN TRADE INDEX, 1948. Canadian Manufacturers' Association, Inc., Toronto, Canada. 1122 pages. \$6.00.

THE MODERN LAW OF ADVERTISING AND MARKETING. By I. W. Digges. Funk & Wagnalls Company, New York, 1948. 310 pages. \$5.00.

FINANCIAL MANAGEMENT

HOW TO PREPARE YOUR INCOME TAX RETURN: For Individuals—Business Proprietors—Partners. By William F. Connelly. Alexander Hamilton Institute, 71 West 23 St., New York 10, N. Y., 1949. 54 pages.

THE FEDERAL INCOME TAX: A Guide to the Law. By J. Stanley and R. Kilcullen. The Tax Club Press, 822 Madison Ave., New York 21, N. Y., 1948. 344 pages. \$6.00.

HOW TAX LAWS MAKE GIVING TO CHARITY EASY. By J. K. Lasser. Funk & Wagnalls Company, New York, 1948. 106 pages. \$3.00.

DEATH, TAXES AND YOUR BUSINESS. By George J. Laikin. Fiduciary Publishers, Inc., New York, 1948. 80 pages. \$1.75.

GOVERNMENTAL COSTS AND TAX LEVELS. By Lewis H. Kimmel. The Brookings Institution, Washington 6, D. C., 1948. 153 pages. \$2.50.

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FEDERAL REGULATION OF INSURANCE. Bureau of Business Research and Service, School of Commerce, University of Wisconsin, Madison, Wis., 1948. 90 pages. \$1.10.

1948 LIFE INSURANCE FACT BOOK. Institute of Life Insurance, 60 East 42nd St., New York 17, N. Y. 96 pages. 25 cents.